Austria	Sch30	Indonesia	Rp3100	Pakistan	Rs35
Bahrain	Din0.900	Iran	Rls210	Philippines	Pso40
Belgium	BFr60	Israel	Shk4.50	Poland	Zl 15,000
Cyprus	CC1.00	Italy	L2200	Portugal	Es175
Czech	Kcs35	Jordan	JD1.20	Qatar	QR10.00
Denmark	DKr15	Korea	Won 2000	S.Arabia	SR9.00
Egypt	E£3.50	Kuwait	Fils.500	Singapore	S$4.10
Finland	FM10	Lebanon	L£1,000	Spain	Pta175
France	FFr8.00	Lux	LFr60	Sweden	SKr13
Germany	DM3.00	Morocco	MDh10	Switz	SFr2.70
Greece	Dr200	Neth	Fl 3.50	Thailand	Bt50
Hungary	Ft145	Nigeria	Naira15	Tunisia	Din2.000
Iceland	IKr160	Norway	NKr13.00	Turkey	L5000
India	Rs60	Oman	OR1.20	UAE	Dh8.00

EUROPE'S BUSINESS NEWSPAPER

FINANCIAL TIMES

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Friday November 29 1991

D 8523A

SURVEY
Quarterly review of business books
Separate Section

Weekend FT

Tomorrow: Opera goes pop – is Pavarotti in the Park a sign of the showbiz future?

●

Christmas feasts around the world

World News

Israel alone as Syria and Palestinians accept date

Israel found itself isolated in the Middle East peace process yesterday as Syria and Palestinians said they would attend talks in Washington on December 4 whether Israel went or not.

Israel wants the talks delayed until December 9, and a close adviser of prime minister Yitzhak Shamir criticised the US *fait accompli* in calling next week's talk. Page 20; Editorial comment, Page 18; Israel loses first round, Page 8

Togo coup bid

Soldiers in Togo seized broadcasting stations and announced they had overthrown prime minister Joseph Kokou Koffigoh's four-month-old transitional government. Diplomats said at least 17 pro-democracy activists were killed in clashes with the soldiers. Page 8

Soviet spending crisis

The Soviet parliament failed to approve extra credits for the state budget, prompting the head of the state bank to warn it could mean that central spending would halt on Monday. Page 3

Gadaffi says no

Libyan leader Muammer Gadaffi said two Libyan secret agents, accused by the US and Britain of the *Lockerbie* airliner bombing three years ago, could not be handed over because there were no extradition treaties between Libya and the US or UK. One of the named suspects could not be identified, he added. Libya asks to see papers, Page 8

Cambodia talks moved

A Cambodian reconciliation meeting which was to have been held in the [illegible] Phnom Penh [illegible] to Thailand [illegible] said [illegible] expec- [illegible] day. The [illegible] close or [illegible] able state- [illegible] will bring [illegible]

[illegible]bies warning

[illegible]s in a suburb of [illegible], the Austrian capital, [illegible] ordered to muzzle and [illegible]ash dogs after a rabid fox was shot dead in the district.

Whisky record

Japanese bar manager Yusaku Matsudo paid £6,375 ($11,220) at a Scottish auction for a rare 60-year-old malt – a world record for a bottle of whisky.

Business Summary

Agnelli family launch partial bid for Exor

Italy's Agnelli family launched a partial bid for Exor, French holding company which controls the Source Perrier mineral water and cheese group.

Ifint, a Luxembourg-based holding company controlled by the Agnellis, is offering FFr1,320 a share for two thirds of Exor, valuing it at FFr5.6bn ($1bn). This ends the bid speculation that has circulated ever since early last year, when Perrier was obliged to destroy its entire world stocks of 160m bottles after the discovery of traces of benzene. Page 21

US BANKING: Operations of foreign banks in the US will be substantially affected by the banking legislation passed by Congress on Wednesday and even tighter rules are expected to come up for discussion again next year. Page 20; Editorial comment, Page 18

LUFTHANSA, German national airline, made a pre-tax profit of DM172m ($105m) in the third quarter, but said it would incur an operating loss over the full year as a result of the weak trend in the first three months when the airline business was badly affected by the Gulf war. Page 21

BANQUE Nationale de Paris, France's largest state-owned bank, is to pay FFr1.25bn ($220m) for an 8.8 per cent stake in Air France, the national airline. Page 23

LAPORTE, UK chemical company, and Solvay, Belgian producer, announced plans to disband Interox, their 20-year-old peroxide joint-venture, in a £500m ($880m) deal. Page 21; Lex, Page 20

FAIRFAX: The future of the Australian newspaper group [illegible] thrown open after Kerry [illegible] Australian media pro- [illegible] unexpectedly withdrew [illegible] Tourang consortium, [illegible] bid for the group [illegible] Black, Canadian [illegible] the London Daily [illegible]ge 21

[illegible] are bidding [illegible] Third World [illegible] hobbled by [illegible] and export [illegible]. Page 4

[illegible] Kuwait's oil pro- [illegible]y to 2m barrels [illegible] ing capacity [illegible] likely to cost [illegible] and $15bn over [illegible]ee years. Page 32

[illegible]: The government [illegible]acked the head of the [illegible]tional Bank and his four deputies. The move follows rumours that independent-minded Gyorgy Suranyi would be replaced after he clashed with the government on a new banking law.

QUELLE, Germany's biggest mail order company, has launched an expansion programme which will take it into developing markets in eastern Europe and possibly into Britain. Page 22

PHILIPS: a Dutch shareholders' rights group is to seek multi-million-guilder damages from the electronics group for allegedly misleading investors about profit prospects in early 1990. Page 24

NON-RESIDENTS will be allowed to trade on the South African Futures Exchange for the first time on Monday.

Major may offer further concessions

Kohl insists on 'irreversible' path to union

By **Quentin Peel** in Bonn and **Philip Stephens** in London

CHANCELLOR Helmut Kohl of Germany insisted yesterday that the European Community summit in Maastricht must set in train an "irreversible process" towards political and economic union, whatever compromises were struck on detailed policies.

Emerging after a series of three top-level talks on the negotiations – with Mr John Major, the British prime minister, on Wednesday night, with Mr Ruud Lubbers, the Dutch premier, yesterday morning, and with Mr Giulio Andreotti, the Italian leader, for full-scale bilateral consultations during the day – Mr Kohl repeated his willingness to accept some "interim solutions" to specific questions.

His comments came as senior British ministers said Mr Major had an strong mandate from his Cabinet to offer further, if limited, concessions on political union in order to secure an agreement.

Amid optimism in London that his meeting with Mr Kohl might have provided the basis for a breakthrough in the negotiations, there was confirmation that Mr Major was ready to cede a role for the Community in environment, health and education policies.

Ministers added that in other areas the government might "trade" increased competence for the 12 for guarantees that decisions would be subject to unanimity.

There was however, a strong warning that Britain was not ready soften its opposition to the imposition by majority voting of elements of the Community's "Social Action" programme which it believes will severely damage growth and employment prospects.

As the government published a lengthy "fact pact" to explain its opposition to "over-regulation" of the labour market, Mr Michael Howard, the employment secretary, warned also that he would fiercely resist a move next week to establish new Community-wide rules on working hours.

Mr Kohl refused to be drawn on the detail of the negotiations, saying the situation was changing "by the hour", but said that a success at Maastricht meant that the process towards European economic and monetary union, and European political union, must be irreversible.

"We want to do everything to ensure that the result at Maastricht is to make the way to political union in Europe irreversible," he said after his talks with Mr Andreotti.

The Italian prime minister papered over their differences on the preconditions for economic and monetary union, on which the Bundesbank is demanding strict sanctions to counter deficit-spending by member states.

Mr Andreotti said there should be no "automatic and mechanical" enforcement of such regulations, and expressed his general satisfaction with the progress of the Emu negotiations.

He stressed, however, a key concern of the six Christian Democrat EC heads of government who met near Brussels earlier this week – that the ambition to have a significant social policy element in the treaty would be "undervalued".

British ministers insisted that the majority voting on the Social Action Programmes sought by other EC governments could not be accepted.

Foreshadowing a row at the meeting in Brussels next week of social affairs ministers over the separate issue of the working time directive, Mr Howard said its implementation would damage employment, add greatly to industrial costs and be unpopular with British employees.

More broadly, however, ministers said Mr Kohl's approach to the negotiations this week - with the suggestion that he was not seeking a "leap" forward at Maastricht – had opened the way to compromises on a number of contentious issues. Mr Major could not accept a "pre-determined" path to further integration beyond Maastricht, but was ready to agree to staged reviews.

Ivor Owen in London writes: Mr Norman Lamont, Britain's chancellor of the exchequer, yesterday rejected calls for a cut in UK interest rates and told MPs that maintaining sterling's position in the exchange rate mechanism of the European Monetary System (EMS) must be the "first priority".

His statement followed criticism in the House of Commons where Mr Nick Budgen, a Conservative MP, claimed the UK economy was in recession because of sterling's entry into the ERM in October last year.

His comments were supported by other Conservative MPs including Sir John Farr, who demanded a half-percentage point reduction in interest rates to bring bank rates down to 10 per cent.

Mr Lamont, meanwhile, emphasised that while maintaining sterling's position in the exchange rate mechanism had been the first priority of interest rate policy a "dramatic reduction" in the rate of inflation had been achieved at the same time.

COUNTDOWN TO MAASTRICHT

Page 2

- European parliament catches the scent,
- Greece threatens Maastricht veto,
- Major's charm offensive *promises dividend*

Page 13

- Manchester bids for Euro bank

Page 19

- Joe Rogaly: *Whiff of grapeshot*

A serbian volunteer stands guard near the demolished town of Vukovar yesterday. Fighting died down in Croatia as Mr Cyrus Vance, the UN special envoy, prepared to return to Yugoslavia to begin negotiations. Page 20

Inflation rises in western Germany

By **Christopher Parkes** in Bonn

INFLATION has turned sharply upwards in west Germany, fuelling increasingly heated negotiations in the 1992 pay round.

After a month-on-month rise of 0.4 per cent, the consumer price index for November was 4.1 per cent higher than a year ago, the federal statistics office said yesterday.

The index, which fell to 3.5 per cent in October, now seems to be heading back towards the most recent peak of 4.4 per cent recorded in July. It is expected to exceed this early next year.

Publication of the provisional figures, which are based on results from four western states, coincided with a fresh round of bad-tempered wage negotiations involving steel workers, banking staff and catering employees.

The fourth round of talks between employers and steel unions, which was preceded by warning strikes involving an estimated 25,000 workers, broke off yesterday afternoon. Employers refused any advance on their last offer of a temporary flat-rate increase of DM100 ($63) per month in return for a six-month suspension of negotiations.

No date was fixed for a further meeting, and the IG Metall union is now expected to

Continued on Page 20

Japanese obliged to work overtime, court rules

By **Stefan Wagstyl** in Tokyo

A LANDMARK judgment by the Japanese Supreme Court yesterday reinforced employers' rights to require workers to do overtime, even against their will.

The court ruled that an individual worker cannot refuse to do overtime as long as the request is reasonable and the worker is covered by an overtime agreement between his employer and his labour union.

The ruling draws attention to the strong powers given to Japanese employers and the relatively weak rights of individual workers to challenge working conditions. Although the case dates back to the 1960s, many Japanese feel the judgment is still significant because working hours remain long and discipline strict.

There is also increasing concern about so called *karoshi* – *death* through overwork. Reports of the judgment were carried prominently in Japanese newspapers and on television.

The court, moving with the customary tardiness of most Japanese legal proceedings, was reviewing a case which started in 1967 when Mr Hideyuki Tanaka was sacked by Hitachi, the electronics group, after refusing to do overtime. Mr Tanaka had refused to stay late to correct some work he had done during the day.

A lower court supported Mr Tanaka's plea for reinstatement. But an appeal court ruled in favour of Hitachi, which claimed it had acted within the law.

The Supreme Court was hearing Mr Tanaka's appeal against the second court's decision. According to the Ministry of Labour, average annual working hours in manufacturing industry have declined from 2,316 in 1967, including 222 hours of overtime, to 2,080 last year, including 202 hours of overtime. Last year's average was equal to 260 eight-hour days.

Even though the total number of hours worked has fallen substantially, because of cuts in the length of the working week and holidays, workers still do a lot of overtime.

The figures exclude the unreported overtime of managers and senior staff, who work extra hours out of a sense of duty, out of enjoyment or for

Continued on Page 20

Sony to work with Apple on multi-media computer

By **Steven Butler** in Tokyo

SONY, the Japanese consumer electronics company, and Apple Computer, the US personal computer maker, have agreed to work together to develop a next-generation multi-media computer.

Sony, which invented the Walkman cassette player and the 8mm camcorder, is acquiring a stake – believed to be between 5 and 10 per cent – in General Magic, of Cupertino, California. General Magic was formed in July by former Apple employees and Apple has a minority interest. It will be the vehicle through which the co-operation will work.

The aim of the co-operation is to produce in about two years a palm-top, wireless personal communication device with digital audio and visual functions.

Multi-media computers are still under development, but great hopes are pinned on them by the electronics industry. Such products could reproduce text or numbers as well as video pictures, sound and telecommunications. Existing electronic products such as video recorders and colour televisions are reaching market saturation and multi-media computers are seen as the key to the next surge of growth.

Nippon Motorola, the Japanese branch of the US semiconductor and telecommunications company, would not comment on a report in the Nikkei Keizai Shimbun, the Japanese business daily, that it was joining the project with an equity stake in General Magic.

Motorola, however, has close business ties with both companies.

It supplies microprocessors for Apple personal computers and is a leading manufacturer of digital cellular communications products in the US and Japan. Motorola said that as a general policy it was keen to pursue industry alliances in the field.

This latest link between Apple and Sony will deepen a growing co-operative relationship. Sony is manufacturing Apple's Powerbook 100 portable computer, launched last month. Sony and Apple collaborated on the development of the machine.

Sony could play a key role in this latest project because of its skills in miniaturisation and manufacturing and its expertise in audio-visual technology.

This month in the US and Germany Sony launched its latest successful product from Japan, the Data Discman, a hand-held electronic book device with audio and simple video functions. The product will be launched in the UK in the spring.

Apple and Sony will be keen to be first with products that shape the growth of the nascent market for multi-media devices.

Increasingly sophisticated technology has created almost limitless possibilities for such machines but it is still not clear how the technology can be packaged into products consumers will accept.

CONTENTS

Moscow braces itself for impending price explosion

Boris Yeltsin's plan to usher in a market economy by freeing up prices over the next few weeks is striking fear in the hearts of many Russians, who worry that basic items may soon be beyond their reach.

Page 3

MARKETS

STERLING
London:
$1.768 (1.767)
DM2.86 (2.8575)
FFr9.765 (9.755)
SFr2.5275 (2.5225)
Y229.5 (230.25)
£ index 90.4 (same)

GOLD
New York Comex Dec
Closed (367.9)
London:
$366.05 (368.45)

N SEA OIL (Argus)
Brent 15-day Jan
$20.175 (+0.325)

Chief price changes yesterday: Page 21

DOLLAR
The New York markets were closed yesterday for the US Thanksgiving Day holiday

London:
DM1.617 (same)
FFr5.5225 (5.52)
SFr1.4285 (1.4275)
Y129.85 (130.25)
$ Index 63.2 (same)
Tokyo close: Y130.0

STOCK INDICES
FT-SE 100:
2,428.6 (−18.9)
FT-A All-Share:
1,174.63 (−0.7%)
FT-SE Eurotrack 100:
1,070.76 (+0.87)

Tokyo: Nikkei
22,780.42 (−192.88)

LONDON MONEY
3-month Interbank:
$10\frac{5}{8}$% ($10\frac{13}{32}$%)
Liffe long gilt future:
Dec $93\frac{3}{4}$ ($93\frac{5}{8}$)

EUROPEAN NEWS

European parliament catches the scent of real power

Despite its follies, the Strasbourg legislature is coming of age, reports David Gardner

MR Jacques Delors, president of the European Commission, had some harsh words for the draft political union treaty due to be signed at Maastricht when he addressed the European parliament in Strasbourg last week.

Mr Delors said plans to give more powers to member states to operate jointly outside EC institutions would make it harder for either national parliaments or the Strasbourg assembly to hold them to account.

This is the core of the debate over the parliament's role in a more integrated Europe: the so-called "democratic deficit" which makes it increasingly hard to scrutinise the growing number of EC decisions.

Yet if any deal is done in Maastricht in 10 days time, Strasbourg's powers will increase. The questions are by how much, and whether the parliament deserves them.

Strasbourg already can and does amend laws. But it needs the backing of the Commission – which has the sole right to propose legislation – in order to get its amendments through the real EC law-maker, the Council of Ministers of the 12 member states. The council has the final say, so that even if parliament votes against a law, a unanimous council can overrule it.

Federalist Germany wants to give Strasbourg powers of "co-decision", an equal say with the council so that all laws would need approval from the parliament. The sovereignty-jealous UK would prefer MEPs to become accountants, by strengthening their watchdog role over Commission spending. The compromise taking shape is that Strasbourg will get a form of equal say, through the right to negotiate amendments directly with council and reject bills which do not contain them.

The Dutch presidency wants this barbarously titled Negative Assent Procedure applied to laws for the internal market, the environment, infrastructure, consumer protection and high-tech programmes. Britain wants to limit the new rules to single market legislation. But Chancellor Helmut Kohl is holding monetary union hostage to a political union which gives parliament teeth, and sets targets to bring inter-governmental co-operation in foreign, defence and judicial policy into EC structures, so that Strasbourg has some oversight.

MEPs are dissatisfied, but nevertheless they scent real power. When the Single European Act came into force, the MEPs were disgruntled at what seemed only consultative power conferred on them. "Only afterwards was the potential realised," points out Mr Julian Priestley, secretary general of the biggest bloc at Strasbourg, the 180-strong Socialist group.

When a majority in parliament has combined with a minority in council, the Twelve have had to take account of Strasbourg's amendments. From mid-1987 to April last year, parliament passed 1,367 "first reading" amendments to 125 directives; 63 per cent were accepted by the Commission, and 46 per cent by the council. Of 357 second reading amendments – which are sometimes rejected first reading changes modified and re-presented – 55 per cent were backed by Brussels and 26 per cent passed into law by the council.

This amounts to a more substantial record in shaping laws than most national MPs can claim. Some environmental standards, for instance, have been strengthened and clarified after work by the influential environment committee, the most heavily lobbied of Strasbourg's 18 committees.

In another example, parliament last week brought some clarity to the muddle into which the Commission and the television industry had driven proposals on EC high definition television standards. Yet, not untypically, it also put through an amendment by mistake which would make these standards optional.

This sort of chaos is a bigger shortcoming than parliament's image as a gravy train for superannuated politicians, over a hundred of whom almost never attend it. June's plenary session, for example, was a fiasco.

Much of the week was occupied with the seating arrangements for a Middle East "dialogue", with delegations from the parliaments of several Arab countries refusing to have anything to do with two of Saddam Hussein's henchmen the MEPs had thought to invite. The parliament's president, Spanish Socialist Mr Enrique Baron, meanwhile provided comic relief by receiving an Indian mystic who produced a poem describing the former transport minister as "Europe's fastest vision train".

More seriously, important Strasbourg amendments to vehicle emissions standards, which the Commission had accepted, had to be taken out of the directive because parliament was inquorate; four months work was wasted. Similarly, Sir Leon Brittan, EC competition commissioner, was supposed to have been challenged by MEPs seeking to prove that the closure of the Ravenscraig steel plant in Scotland showed British Steel was part of a cartel. Sir Leon prepared a detailed reply but was never called. The 45 Labour Euro-MPs – the largest component of the biggest group at Strasbourg – failed to get Ravenscraig on the agenda after weeks spent threatening to roast the commissioner.

It is often hard not to be dismissive of an institution which so often shoots itself in the foot, even if parliament can claim it needs real powers to staunch the leakage of sovereignty from national legislatures. Part of its problem is the volume of business, especially in the run-up to the Single Market. Westminster deals with an average 15 bills a year; Strasbourg's week-long plenary sessions each month now consider an average of 55 laws, Mr Priestley says. Every plenary spends about nine hours voting on an average 1,000 amendments, he says, against, for example, a US Senate which votes 200 times a year, dealing with most business in committee.

The Socialist group wants rule changes to delegate more to committees, cut plenary voting by around a third, and require a minimum of 23 members to sign amendments as a disincentive to frivolity. These changes are part of the horse-trading with the 122-strong Christian Democrats, who voted for Mr Baron in 1989 on the understanding the Socialists would back their man, the German Mr Egon Klepsch, when the Spanish Socialist steps down in January. That this bargaining is now over more than jobs is a sign that the Parliament is coming of age.

COUNTDOWN TO MAASTRICHT

Greece threatens Maastricht veto

By Kerin Hope in Athens

GREECE is threatening to veto the Maastricht treaty unless it is allowed to join the Western European Union (WEU), which could become the Community's defence umbrella.

Prime Minister Constantine Mitsotakis recently stepped up a long-running Greek campaign for WEU membership on the grounds that continued exclusion would effectively relegate Greece to the lower rung of a two-tier Community.

"If the WEU is to become the defence instrument of EC security policy, Greece cannot be left out – we are members of both the Community and Nato. We are ready to veto the union treaty if there is no satisfactory solution," a senior Greek official said yesterday.

Greece places particular importance on the security aspect of the treaty on European political and monetary union because of growing instability in neighbouring Balkan countries. The civil war in Yugoslavia has cut its main route to EC markets.

"We're prepared to make *concessions* in other areas, like majority voting and co-operation on internal security in the Community. But joining the WEU is essential," the official added. He said British objections were the main hurdle to Greek membership, while Mr Ruud Lubbers, the Dutch prime minister, "showed understanding of our position" at pre-Maastricht talks with Mr Mitsotakis in Athens last week.

Britain fears that a closer relationship between the Community and the WEU could undermine Nato. But other WEU members share the British view that if Greece joined, it would be tempted to involve the organisation in its quarrel with Turkey, a Nato ally, over control of the Aegean Sea.

Mr Antonis Samaras, the Greek foreign minister, is to discuss the WEU issue with Mr Douglas Hurd, his British counterpart, in London next week, before the Maastricht summit.

● Mr Yiannis Paleocrassas, the Greek finance minister, has ordered an investigation after details of the 1992 budget, due to be announced today, were leaked to a Athens radio station. Because of staff cuts at the finance ministry publication department – imposed under the current austerity programme – a private company was called in to print part of the four-volume budget.

Pre-Maastricht Talks: Chancellor Kohl (right) welcomes Prime Minister Andreotti to Bonn yesterday

Major's charm offensive promises summit dividend

By Philip Stephens, Political Editor

IF Mr John Major comes away from the Maastricht summit without a deal it will not be for want of travelling.

This week it has been Rome and Bonn. On Sunday it will be the Hague; later next week Dublin. In between the British prime minister will host talks in London with President François Mitterrand.

On one level, the explanation for the most frenetic bout of personal prime ministerial diplomacy in Europe for more than a decade is obvious: the decisions to be taken at Maastricht are momentous, the political risks for Mr Major enormous.

But there is more than that. Two visits to Bonn within a month to see Chancellor Helmut Kohl, a request to meet Mr Ruud Lubbers – the current EC president – for the second time in 10 days, and President Mitterrand's trip to London mark a decisive break with the style of his predecessor; and, as in all diplomacy, style has merged into substance.

By the time she was forced out of office a year ago Mrs Margaret Thatcher's relationship with most of her European colleagues was at best businesslike. There were formal meetings, but no special effort in advance of summits.

Then she found herself being "mugged" by her partners at the Rome summit last autumn. Taken completely by surprise and forced into a corner, she shouted "No, No, No" – and promptly lost her job.

Mr Major learnt the lesson. He embarked immediately on a hectic tour to European capitals and told his office to set up hotlines to Paris and Bonn.

Above all he was determined to mend the fences with Bonn, resolving to befriend Mr Kohl instead of berating him.

It is an approach that suits his temperament. Mr Major is a politician who prefers meetings to paperwork, likes solving problems in one-to-one meetings and is confident of his personal skills. His instincts are those of the alliance-builder, as adept at flattery as Mrs Thatcher was at "handbagging".

So a speech in the spring proclaiming that Britain would be at the heart of negotiations on Europe's future was delivered in Bonn. His meeting with Mr Kohl this week was the ninth encounter in a year. Downing Street has not kept count of the telephone calls.

That is extraordinary, but Mr Major has been careful not to neglect others. There have been three meetings with Mr Lubbers since September; Monday's encounter will be the second with Mr Mitterrand.

What the tabloid press has dubbed a "charm offensive" has not bridged the gap between Mr Major's commitment to keep Britain at the heart of Europe and the federalist ambitions of his partners.

Mr Mitterrand remains aloof, Mr Lubbers an ally often frustrated by Mr Major's reluctance to take more risks with his party. He is still denied also a place with his Christian Democrat counterparts at their pre-Maastricht conclaves.

Yet the prime minister is convinced he has achieved two essential objectives: it has convinced others that in some areas he will not compromise while persuading them that if they lower their sights he will sign a worthwhile agreement.

The Franco-German alliance which so dogged Mrs Thatcher is far from broken, but Mr Major hopes it is no longer impenetrable. If he is proved right at Maastricht, the travelling will have been a small price.

Siemens urges EC to subsidise building of microchip plants

By Michael Skapinker

SIEMENS, the German electronics group, has told the European Commission it should subsidise the building of microchip factories rather than spend more money on semiconductor research.

In a confidential letter to Mr Filippo Maria Pandolfi, EC research commissioner, Siemens says financing of new semiconductor plants should take priority over projects such as Jessi, the biggest European chip research venture.

Siemens has not yet received a reply to the letter, which was signed by Mr Karlheinz Kaske, its chief executive, and Mr Jürgen Knorr, head of the semiconductor division. "There are enough results from basic research. The problem is to put them into practice," Siemens said yesterday.

Jessi (Joint European Submicron Silicon Initiative) was set up with EC support in 1989 to ensure European companies gained access to leading-edge chip technology. Its credibility has been damaged, however, by Siemens' decision last year to team up with IBM of the US to develop new generations of memory chips.

Philips of the Netherlands cut down its commitment to Jessi because of its financial problems, and ICL, the UK-based computer company, was expelled from some projects after it was acquired by Fujitsu of Japan.

Mr Jacques Delors, president of the European Commission, encouraged Siemens and Philips to merge their semiconductor businesses with SGS-Thomson, the Italian-French chip-maker, to create a group large enough to compete with the big US and Japanese companies. Siemens' tie-up with IBM has scuppered t[illegible] of such a deal.

Siemens argues [illegible] Commission wa[illegible] the survival [illegible] chip industry, [illegible] address the p[illegible] build factorie[illegible] hundreds of [illegible]

● The Comm[illegible] the EC to n[illegible] what it spend[illegible] development [illegible] Mr Pandolfi [illegible] Reuter report[illegible] to concentrat[illegible] efforts on key [illegible] nologies in areas [illegible] conductors and co[illegible] ware, he told a con[illegible] sponsored by the EC's [illegible] information technolo[illegible] research programme.

"The present crisis of the sector in Europe and the world compels us to adjust our philosophy," he said.

The Irish grow older and fewer

[illegible]im Coone in Dublin

[illegible] the Irish are [illegible] getting [illegible]ery 20 [illegible]

[illegible] ha[illegible] to a [illegible] decad[illegible] high s[illegible] the 1980[illegible] this year [illegible] sion in the [illegible]

One inter[illegible] that there are [illegible] below the age of [illegible] 668,718 females, a fa[illegible] rekindle some hop[illegible] recruiters to the priest[illegible]

Hunt for Stasi funds stepped up

By Leslie Colitt in Berlin

BERLIN Justice Department officials said yesterday that the authorities raided nearly 40 offices and private homes in Berlin, Leipzig and Dresden in an attempt to trace large sums of money which disappeared from the budget of former East Germany's Stasi security police.

More than DM500m ($310m) may have been smuggled abroad just before the collapse of Communist rule, an official estimated. Fifty cartons of documents were impounded by the State Prosecutor's office.

Communist and Stasi officials were suspected of having set up company subsidiaries which were used to transfer assets outside the country.

The raids were concentrated on the Robotron Elektronik Export-Import company in east Berlin, the Justice official said. The Robotron Kombinat was the largest East German electronics company and worked closely with the Stasi and the armed forces. Most of the company's plants will be be shut by the end of the year.

NEWS IN BRIEF

Dutch truckmaker to cut 1,600 jobs

By John Griffiths

DAF, the Dutch commercial vehicle maker, is to cut more than 1,600 jobs worldwide over the next two years, reducing its workforce to 12,400. The company said yesterday more than 400 jobs would be lost in the Netherlands.

But the brunt of the losses is expected to be in the UK, where DAF took over the state-owned Leyland truck and van operations four years ago. The UK activities have already seen job cuts of 600-700 in each of the past three years as DAF has tried to improve productivity and cut production in line with the sharpest post-war UK truck market collapse.

Finns agree wages freeze

Finland's employers and labour organisations yesterday tentatively agreed on a two-year incomes pact which will freeze wages in 1992, writes Enrique Tessieri in Helsinki. The pact replaces last month's agreement, which aimed to cut labour costs next year by 6.9 per cent. The earlier plan was scuppered by union opposition which unsettled the markets and led to a 12.3 per cent devaluation of the Finnish markka.

Under the new agreement, wage earners will be compensated with pay rises in 1993 if inflation increases by over 5.4 per cent by October 1992.

EC to lend Romania Ecu375m

The European Commission and Romania yesterday signed a Ecu375m ($472m) loan agreement paving the way for the Community to pay the first tranche of Ecu190m to Bucharest immediately, Reuter reports from Brussels. The loan is part of a $1bn package promised for Romania in 1991 by the Group of 24.

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EUROPEAN NEWS

Cash crunch for Soviet public spending

By Leyla Boulton and Reuter in Moscow

THE Soviet parliament yesterday failed to approve extra credits for the state budget, a move which the head of the state bank warned could mean central spending would come to a halt in two days.

Deputies in the upper house approved a transfer of Rbs90.5bn (£30bn at the commercial rate) to cover the fourth-quarter deficit. But there were not enough deputies in the lower house to pass the measure.

The lower house is not to due to meet again until next Tuesday, when it will discuss the matter again.

Mr Viktor Gerashchenko, head of Gosbank, the state bank, said the finance ministry only had Rbs3bn in its coffers, enough to cover the budget for the next two days. Once those reserves were exhausted, the ministry would be unable to pay salaries to the army, doctors, teachers and police.

The central government does not have exclusive responsibility for paying doctors and teachers, even though it is responsible for maintaining the army. It is unthinkable, however, that Mr Boris Yeltsin, who needs the loyalty of the armed forces to push through radical reforms, would allow the army to go without pay.

A new system for financing central expenditures such as the army must be found in time for next January since there is so far no agreement among republics on even establishing a central budget for next year.

● Vnesheconombank, the commercial bank which services Soviet foreign debt, yesterday again experienced trouble in giving hard currency to foreign customers seeking to withdraw cash but later said difficulties had been overcome.

Mr Nikolai Barkovsky, a bank official, initially said that no cash would be dispensed to customers until December 3. But he subsequently quoted the head of the bank division responsible for cash distribution as saying cash was again available.

The bank had similar difficulties in distributing cash to customers a few weeks ago. Bank officials said then the cash shortage was "a technical problem" caused by the reluctance of foreign and Soviet customers to sell hard currency to state exchange points.

Many face long-term joblessness

By Leyla Boulton in Moscow

UP TO 15m people could become unemployed long-term over the next two or three years because of economic reforms in the former Soviet Union, says Mr Alexander Shokhin, Russia's deputy premier for social affairs.

Around 30m people could lose their jobs but half should rapidly find new employment. Sixty per cent of the unemployed would be in Russia, with the biggest population and much obsolete industry.

Mr Shokhin, one of the government's main economic strategists, reiterated Russian pleas for substantial humanitarian and financial assistance. A council of dignitaries, on which Mrs Margaret Thatcher had agreed to sit, would supervise use of humanitarian aid, he said.

Russia was seeking a $12bn stabilisation fund to help introduce internal convertibility of the rouble, as well as further debt relief following last week's agreement with the Group of Seven.

But as part of its plan to keep a check on inflation and to strengthen the currency, the government would publish soon a mechanism for limited adjustment of incomes to trail inflation once prices were liberalised sometime next month.

Rich and poor unite in distrust of Yeltsin

Leyla Boulton asks Muscovites about the impending price explosion

MRS Valentina Vinogradova, a skinny 67-year-old Moscow pensioner who served at the front in World War Two, will eat potatoes with some cabbage soup tonight. Meat is out of the question because all she can afford are bones to make the broth for the soup.

"We lived better during the war," she complains.

She is terrified of Russian President Boris Yeltsin's plans to free prices within the next few weeks in order to usher in a market economy – and she certainly does not believe his promise that life will improve again by next autumn. Only the price of milk, salt, matches, heating, bread, and vodka are to remain fixed – albeit at a higher level. Mr Yeltsin expects other prices to increase by three to five times.

A protester outside the Russian parliament demanding higher wages and lower food prices

A Veteran of Labour (a socialist distinction for a life of good work), Mrs Vinogradova works as a street cleaner to supplement her monthly pension of Rbs110 (about £1.30 at the tourist rate of exchange) and keep her invalid son. "Yeltsin has not thought out what he's proposing, but it doesn't matter because he has done all right for himself."

At the other end of the scale, Natasha, a fur-wrapped black marketeer, does not trust Mr Yeltsin either. "I believe in myself and in God but I don't trust anybody who came to power through the communist system. These people shouted hurray for Stalin, hurray for Brezhnev, and then hurray to (President Mikhail Gorbachev's) 'new thinking'."

"This reform will be a catastrophe for many people even though I myself am not on the poverty line," says this trained architect, who earns Rbs10,000 a month selling consumer goods she brings from Poland and Hungary in a suitcase.

The planned reforms are not being helped by a combination of incompetence and one-off experimentation by the authorities.

The price reform was announced by President Boris Yeltsin well before it was due to start, fuelling inflationary expectations and causing panic-buying of whatever was left in the shops. And the mayor of Moscow, Mr Gavriil Popov, began an ill-fated adventure by deciding to increase the price of superior quality bread sixfold. Much of the bread remained unsold, however.

Mr Popov also promised rationing would be introduced from next Sunday. But on Tuesday the plan was dropped in favour of a project to free prices before the rest of the Russian Federation, and pay people compensation to buy goods at new prices.

Most people on the streets of Moscow this week appeared resigned to harsh reforms – with a surprisingly large number still willing to give Mr Yeltsin a chance.

Mr Oleg Romaniuk, a biotechnology student with a monthly stipend of Rbs157, said market reform was the only way out of the country's worsening economic crisis. "We may have low prices now but we cannot find anything at those prices... But if they fix the economy, then things will be all right, although these reforms should have happened two years ago."

As part of attempts to establish a safety net for those on fixed low incomes, Mr Yeltsin raised the minimum monthly wage to Rbs200, and gave a 90 per cent pay increase to doctors, teachers, policemen and civil servants. But the real question is how much time Mr Yeltsin will have to test people's patience.

While most Russians prepare to tighten their belts, the country's rich are throwing their weight around with increasing confidence. In between TV reports of the fear and chaos surrounding the promised reforms, absurd advertisements talk of massive profits to be made from investing in this or that bank or commodity exchange.

"When prices are rising all the time, invest in the Moscow Central Stock Exchange," purrs the well-fed announcer. "A year ago, our shares cost Rbs500,000, but now they are worth Rbs8.5m."

Mitterrand's take-off attempt comes back to earth with a bump

Holding out the prospect of reforms has not had the effect the president hoped for, writes **Ian Davidson**

PRESIDENT François Mitterrand's attempt to reassert his political authority and reverse his decline in the opinion polls by raising the prospect of constitutional and political reforms, has started to backfire badly.

His proposal to change the voting rules for national assembly elections so as to introduce some (undefined) element of proportional representation, has unsurprisingly prompted a storm of protest from the conservative opposition parties.

More seriously, his initiative appears to have forged a coalition of opposition in the ruling Socialist Party, and to have opened a strategic crack between the president and the party he took over 20 years ago.

The conservatives' protests have some justification. President Mitterrand changed from majority voting to proportional representation in 1985. One of the direct effects of this was to give 35 seats to the extreme right-wing National Front in the 1986 general election.

The victorious right-wing parties immediately switched back to majority voting for the 1988 election, and they now accuse the president of shameless gerrymandering. They claim his only object is to save the Socialist party's bacon in the 1993 general election, or at least to minimise the scale of the prospective conservative victory.

It is starting to seem that Mr Mitterrand's constitutional proposals, which he intended as a powerful weapon to destabilise his political adversaries, may have the perverse consequence of turning him into a lame-duck president before his time.

Mr Pierre Mauroy, the Socialist party first secretary, loyally mobilised a debate in the party on a range of options with various degrees of proportional representation. But this week the working group gave up trying to reach a conclusion on a new voting method.

It seems to have created the embryo of an unlikely alliance of rival factions in the party, who now appear united against any change in the electoral rules. By implication, they are also starting to throw off their long-standing submission to Mr Mitterrand's will. The fact that party barons are baulking at the president's move to rewrite the political rules, indicates they are already beginning to plan their strategy for a post-Mitterrand era.

In the short-run, a shift to proportional voting might help to underpin the Socialist party in parliament and President Mitterrand in the Elysée. In the long run, it could weaken the party's chances of recapturing a parliamentary majority, and Mr Mitterrand does not have a long run.

Most polls point to a heavy Socialist defeat in 1993; proportional representation could probably not avert defeat, but some variants might prevent an outright majority for the traditional conservative parties, by opening the door wide to minority parties.

The chance of preventing a hostile majority in the national assembly could have real appeal for President Mitterrand. He detested having to "co-habit" with a conservative government in 1986-88, and he would hate even more having to do it for the last two years of his term.

The party, however, evidently recoils from such a scenario. On the one hand, deliberately rewriting the voting rules to produce a parliament without a coherent majority might finally destroy the last vestiges of popular respect for the French political establishment. On the other, any voting system which could be counted on to prevent an outright majority for the conservative parties, might do the same for the Socialists later.

Moreover, proportional voting would weaken traditional Socialist fiefdoms at the grass roots, undermining the campaign basis for a future come-back. Faced with the rise of fringe parties, which could win 25-30 per cent of the votes in the next election, the Socialist party is having second thoughts about its commitment to proportional voting which was part of its platform before it came to power in 1981.

The political reform debate is not yet over. President Mitterrand may yet attempt to impose a change in the electoral rules, if he thinks it can be voted through parliament, which is not certain. And, in any case, there is bound to be a constitutional reform campaign this time next year, with a shorter presidential term heading the agenda.

There two reasons for such a reform. The first is that everyone now agrees the constitution is not working very well. A shorter presidential mandate, currently seven years renewable, is an idea on which almost all sides agree; though whether it should be to five years, renewable, or a single seven-year term, is still being debated.

The other reason is that such a campaign, no doubt with a referendum, is President Mitterrand's last chance for restoring his personal ascendancy in the closing years of his mandate.

WORLD TRADE NEWS

UK contractors withdraw from Third World

By David Dodwell, World Trade Editor

BRITISH contractors are bidding farewell to the Third World because they are hobbled by government aid and export finance policies, according to Mr Jim Langford, chairman of Costain International.

Addressing the annual lunch of the Export Group for the Constructional Industries, of which he is chairman, Mr Langford said that 70 per cent of new export contracts - which amounted to £3bn in 1990 - were won in markets in the industrial west, "continuing a trend away from the Third World which I deplore."

He blames this withdrawal on two factors: government restraints on aid, through the Aid for Trade Provision (ATP) which has been held below £100m for several years; and very high comparative rates for export credit insurance.

The policies combine, Mr Langford says, to make British companies less competitive in countries where other western governments mix aid with commercial credits to enable them to offer cheap loans.

A further problem is the tendency of Third World governments to offer contracts to local contractors, who may be inexperienced and undercapitalised.

"This can lead to delays in completion times and a product that does not stand the test of time," says Mr Langford. "Far too often in the Third World, we are asked where all the British contractors have gone. We want to do more work there, and think it is in the national interest to do so. But the government needs to provide a level playing field so that we can compete successfully."

Contract exporters say they are asked to pay premium rates to insure contracts against possible default by client countries that are significantly higher than the rates being demanded of competitors in countries like Italy, France, Germany or the US. Often, the Export *Credits Guarantee Department (ECGD)*, the government's long-term credit insurer, refuses to provide cover because of the perceived riskiness of the market involved.

"Anyone who calls this a level playing field is in urgent need of a spirit level," he said. The result of these policies is that those British contractors with international operations are launching bids from other countries, where more favourable export credit terms enable them to bid more competitively. *Britain therefore loses jobs*, since work is done overseas, and exports.

Mr Malcolm Rifkind, secretary of state for transport, responding to Mr Langford's comments, noted that the ECGD had been forced to plunge deep into the Treasury's coffers because of *bad debts arising out of the debt crisis* of the mid 1980s. By the end of 1991, the agency's accumulated deficit on its consolidated account is expected to be £4bn, rising to almost £6bn by the middle of the decade.

"Mistakes have been made in the past, and this has to be taken into account," he said.

Exporters complain, Page 18

Odessa seeks a return to free port status

Leyla Boulton on the Ukrainian city's attempt to win greater freedom from Moscow

AS THE Republic of Ukraine prepares to vote for independence from the Soviet Union in two-days' time, the port-city of Odessa has independent dreams of its own, to become a free economic zone.

The desire for a better life associated with independence does not stop there. One rung down, the Odessa-based Black Sea Shipping Co, which commands a fleet of 260 merchant and passenger ships, is looking to a future free from the commands of the Merchant Fleet Ministry in Moscow.

In turn, the city's port is *eager to chart an independent* course from the shipping company, to which it was subordinated under the disintegrating administrative-command system.

Odessa's proposals for becoming a free economic zone assert that this cosmopolitan city of 1.2m people is well prepared to break from the past, and overcome the inherent political, economic and psychological problems, because of its pre-revolutionary tradition as a *free port*. And Mr Konstantin Simonenko, Odessa's self-confident mayor, declares that the plan can be put into action within two years.

However, foreign consultants say that the plan still needs much redrafting and clarification, and, even when this is accomplished, time will be needed to equip the city with essential infrastructure, such as modern telecommunications, just one of the prerequi*sites for the establishment of a* credible free economic zone.

Like the Ukraine overall, Odessa's most difficult task lies in breaking from the inheritance of the Soviet past. Soviet-style sleaze (the theft of lightbulbs from the mayor's office; *the corrupt bankteller* who changes hard currency on her own account) is a poignant reminder that the past persists. And both the port's and the shipping company's everyday struggle with economic chaos helps explain why independence seems such an attractive proposition.

Mr Stanislav Mikhailyuk, Black Sea *Shipping's* deputy director, said in an interview that the company is owed at least roubles 250m (£250m at the *official exchange rate*) in unpaid bills by Soviet trade organisations, such as Exportkhleb, which imports grain.

"Centralisation is what this whole tragedy is about," he said. "Everything which comes here goes to Vnesheconombank and they give us nothing. The whole world works for Vnesheconombank."

*Vnesheconombank is the for*eign trade bank which has a virtual monopoly on foreign currency operations and services the Soviet foreign debt. It also bears the brunt of anger against "the centre."

Mr Mikhailyuk said 10 ships were *seized by foreign port* authorities earlier this year because loading bills had not been paid by Vnesheconombank. While the bank says payments were not made only in cases where the state trading organisations had no money on their accounts, the company points out that it was forced to borrow in hard currency to pay the loading bills.

The Ukrainian government last month declared that all Soviet enterprises on its terri*tory were the property of the* Ukrainian state but pledged not to interfere with their management. Black Sea Shipping is now hoping for tax relief to help renew its fleet, the average age of which is between 10 and 15 years, to cut fuel and manning costs and increase competitiveness. Meantime, it is also placing some ships under *flags of convenience*.

The port itself is operating at only 60 per cent of capacity, partly as a result of the 20 per cent drop in traffic because to the decline in Soviet trade with its former Comecon partners.

Nevertheless, Mr Nikolai Pavliuk, the former docker who heads the port, sees the fixed-rates he must still charge Black Sea Shipping as his main oppressor. Until the end of the year, his rates will still be those set by the Soviet Price *Committee, but, from January*, Mr Pavliuk plans to charge the company hard currency for services. He is also building a new container terminal, modernising his passenger terminal and seeking to accumulate foreign exchange in order to renew port equipment, 95 per cent of which has to be imported.

Even optimistic Mayor Simonenko admits to the difficulties facing rapid change. Just by restoring Proletarian Boulevard's name to its old one of French Boulevard, he says, would not make it look any less proletarian.

Gatt alliance warns US ar
EC over agriculture issue

By William Dullforce in Geneva

AN UNPRECEDENTED alliance of 30 European, Asian, Latin American and African countries yesterday warned the European Community and the US that the fate of the Uruguay Round trade talks did not hang solely on a resolution of the EC-US dispute over farm subsidies.

The group voiced "deep preoccupation" about the state of the negotiations intended to strengthen the rules of the General Agreement on Tariffs and Trade. Within the limited time left an additional effort should be made to negotiate clearer and more precise rules in such areas as anti-dumping, the 30 countries said.

A package of results improv*ing Gatt rules was the corner*stone of the multilateral trading system. Revised rules were essential to preserve the rights of smaller and medium-sized countries.

Important trading nations are included in the group which represents a cross-section of Gatt members. It comprises 10 Latin American countries including Argentina, Brazil and Mexico. Among the nine Asian countries are India, Pakistan, South Korea and Malaysia. The Nordic countries, Sweden and Switzerland have supported the declaration, as have Czechoslovakia and Poland. The three African signatories are Egypt, Morocco and Nigeria.

The declaration will be introduced to the stock-taking meeting on the Uruguay Round called today by Mr Arthur Dunkel, Gatt director general, under the shadow of the EC-US deadlock over farm reform.

Implicitly, the 30 remind the EC and US that the Round does not concern only farm reform, services and intellectual property rights. Specifically, they call for:

- The dismantling of so-called grey area measures, s the voluntary res arrangements under wh US limits imports of st cars. This would be c with a safeguard mech that would allow gover to provide temporary tion for industries thre by a flood of imports.
- Strengthened discipli the use of subsidies a countervailing measure ernments can apply a subsidised imports.
- A revision of Gatt' dumping code to ensu its provisions are not but prevents genuine c vention of anti-dumpin sures.
- Tougher rules for the *developing* countries o right to impose trade res for balance of paymen poses.
- A "balanced" result negotiations on direct investment.

Brazil's traders turn to Ira

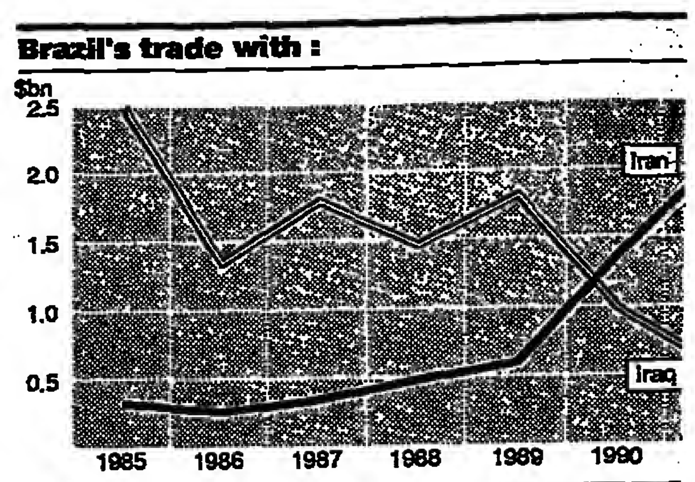
By Christina Lamb in Rio de Janeiro

BRAZILIAN foreign trade officials for the past 18 months have been in search of new trade partners to compensate for the collapse of trade with Iraq, the country's principal Gulf partner, and the flagging of exports to the US, traditionally Brazil's main market. Attention has turned to Iran.

The matter has become more *urgent since August when for* the first time in recent years Brazil imported more from the US than it exported.

Brazil's trade surplus with the US fell from $5.88bn (£3.31bn) in 1988 to $3.2bn last year and is expected to drop further this year. Foreign ministry officials blame US import quotas on Brazilian steel and duties on orange juice concentrate, textiles and shoes.

Brazil's trade with :



Although Brazil has stepped up trade with its neighbours, *almost tripling exports to* Argentina, the main target of current efforts is Iran which has replaced Iraq as its principal Gulf partner.

The policy of rapprochement began in August last year when Brazil turned to Iran for oil after the Iraqi invasion of Kuwait.

Iran has now become Brazil's *main oil supplier, providing* 180,000 barrels a day. Trade between the two countries has more than tripled since 1989 to more than $2bn. The balance is heavily in favour of Iran and Brazil is now hoping to reap rewards in the form of contracts to help in Iran's massive $120bn reconstruction programme after the eight-year conflict with Iraq.

They are not alone in courting Iran. German and Italian contractors have made a considerable head start in winning significant contracts.

British exporters are scrambling to be in the starting blocks when a long-frozen dispute over debts is settled. The French government in the past *month has settled its own dif*ferences with the Iranian leadership over debts, unleashing French contract exporters in the direction of Tehran.

The Foreign ministry bying for Brazilian co tion company Andrade rez, which hopes wit next two weeks to be a the contract for the c *tion of a* $1.5bn hydro dam, Karun III.

The main hitch is fi – last Friday an Irani tral Bank delegation ar Brasilia to discuss request that Brazil $350m.

Neither country is in position as far as raisi national finance. Braz *that amid intense com* for the contracts on of will give preference t foreign companies c attractive financing te

Congress continues pressure on China's trade status with US

By Nancy Dunne in Washington

IN THE rush of end-of-session business, the US Congress this week sent to President George Bush a bill which would place strong conditions on China's favourable trade status.

President Bush is expected to veto the conditions on China's Most Favoured Nation status, and Congress is unlikely to muster the two-thirds vote *needed for an override*.

Under MFN status, China receives the same tariff treatment as most other US trading partners.

A resolution clearing the way for MFN for the Soviet Union also passed Congress this week; it was requested by President Bush.

China's MFN status must be renewed *each year. Congress* sought to place conditions on the renewal, demanding improvements in Chinese behaviour *on human rights*, nuclear non-proliferation and trade.

The legislation attracted *wide support as it* quickly became a "wish list" of congressional desires for a reformed China.

It demands an end to the jamming of Voice of America *broadcasts; access to or release* of political prisoners; and an end to restrictions on speech, religion and assembly.

Chinese premier Li Peng: pressure on human rights

President Bush has just managed to maintain sufficient support to protect his veto by promising to get tough with China through other channels. The US trade representative is now preparing a list of retaliatory measures against China for failing to protect intellectual property rights.

South Ko
opens frei
routes to
companie

SOUTH KOREA wil European Communit ping companies to ope ing and rail services b *next year, officials* said yesterday, reports ated Press from Seoul.

South Korean and cials reached an ag granting EC shipping nies the same treatm rently given to US co The EC had claime Korea discriminates i of American companie

EC shipping compa be granted rights to land transportation se Pusan, South Korea's *southern port*, early n The service area w expanded gradually the whole country.

The Korean sid demanded that the EC anti-dumping m against Korean semi tors, videocassette r and car radios, he sai

Mr Kim Yong-kyu, general of the ministr national trade bureau the Korean side. The was headed by Mr Si tall, *director-gene* Japan, China and Asia.

Brazil's Japanese preparing to leave

A big immigrant community finds the grass now looks greener back across the Pacific where it came from, reports **Christina Lamb**

São Paulo: home to the biggest Japanese community outside Japan

LUNCHTIME in Liberdade in the heart of South America's biggest city. The language may be Portuguese, but the faces are oriental and the shop signs are in Japanese calligraphy. The barber is Mr Kazubu, the grocer Mr Shumtoyo. Visitors stay in the four-star Nikkey Palace and eat dried seaweed for breakfast.

Brazil's industrial and commercial centre, São Paulo, is home to the largest Japanese population outside Japan.

The trail was set by the 165 Japanese families who arrived on the steamer *Kasato Maru* in 1908 to find work on coffee estates. There are now 1.23m Japanese living in São Paulo state. Over the years they have set up agricultural co-operatives introducing new crops such as peppers and ornamental plants, while a further wave of immigrants after the second world war provided labour for Brazil's expanding industry.

But recently the flow reversed as Brazil sank deeper into economic crisis, and now it is Japan which has the labour shortage and an expanding economy. The second and third generations of the Japanese who came seeking work are now leaving for the same reason.

Known as *dekassegui*, those hoping to work in Japan pack the fifth floor of the consulate building on the bustling Avenida Paulista. Forty-one-year-old Carlos Nambu is typical. His father came here in 1950 to find a new life in a land which promised milk and honey. Now Carlos, who recently lost his job as a metalworker, and his 22-year-old unemployed son are going in the opposite direction, to a land they have never seen.

The journey back will take 27 hours – far less than the 60 days it could take their forefathers to arrive – but the upheaval is the same. Like many *dekassegui*, they have spent hours in Liberdade's Museum of Japanese Immigration, wondering at the pictures and maps showing the places from which their ancestors left and to which they now are journeying.

More than 100,000 Japanese have returned in the last two years, and according to Mr Koji Ishiwaka, Japanese consul in São Paulo, their numbers are rising. So far this year more than 45,000 have gone. "They *are forced to return because of* unemployment or low incomes here," Mr Ishiwaka explains. "There they can earn much more, and hope to come back and open a shop or buy an apartment."

Working in Japan for immigrants was made much easier last June, when a new law said they could remain working for three years; previously they had mostly worked illegally. Interest is now so high that there is a glossy monthly magazine called *GOing* explaining how to arrange visas and obtain employment. Its 118 pages are packed with adverts from such well known Japanese companies as Hino Motors and Kawasaki.

Jobs on offer range from making pistons and carburettors to driving airships and golf caddying. The average monthly salary is about $2,600, more than in Brazil. The Isuzu advertisement for assembly workers is typical: "Let us help realise your dreams," the Youth of Brazil is told. Liber*dade's travel agencies are full* of people swayed by such calls and paying instalments on the $2,700 air fare.

However, some return to find their dreams become nightmares. Although *GOing* explains about Japanese sleeping and toilet habits with helpful diagrams, workers often arrived in Japan to discover that their pay is less than expected, the hours are longer and living costs higher, and that they can not afford to leave. While this happens less often since work became legal, the transition remains extremely difficult for many. Most of them do not speak the language, and the Japanese work ethic could not contrast more sharply with the casual Brazilian attitude.

The reverse flow of labour also reflects what is happening on the macro-level. Although intertrade has remained stagnant in recent years at $3bn with (Brazil $1bn in surplus), Japanese investment in Brazil has dropped steeply. In the *past 10 years, while Japanese* investment abroad soared, Brazil fell from third on the list to 23rd, with just 0.5 per cent of the total. Even within Latin America, it dropped from clear top to fourth. Until Brazil comes to an agreement with the International Monetary Fund and the Paris Club, there is no official lending from the Japanese Eximbank.

The two countries had seemed obvious partners, not least because of the large Japanese community in Brazil. Mr Toshiro Kobayashi from the Bank of Tokyo explains: "Brazil, with its vast territory, rich natural resources and abundant labour, seemed the perfect partner for Japan, with its small territory, few resources and abundant capital and modern technology."

Consequently, Japanese state and private companies invested heavily up until the last decade in the Brazilian state steel, paper, petrochemi*cal and fertiliser sectors.* Today, Japan is Brazil's second biggest debtor and has $5bn invested with 400 Japanese companies operating in Brazil.

However, half are now described by the head of one company as "sleeping". Relations soured because of Brazil's economic instability, the debt crisis, and what was seen as national untrustworthiness. Many are owed money by state companies. Mr Izumi Takeno, head of Mitsui in Brazil, explains: "Brazil could have had far more investment if it had behaved better. Japanese companies do not understand broken appointments, contracts and debts not honoured."

More foreign exchange now enters Brazil from Japanese immigrants working in Japan than from Japanese investment. According to some estimates, as much as $3.2bn is being sent back to Brazil. It is a far cry from the days of the letter displayed in the Liberdade museum which described Brazil as "guaranteeing stable life... favourable to accumulation of riches and high education of children."

Camdessus praises Argentine reform moves

By John Barham in Buenos Aires

MR Michel Camdessus, the International Monetary Fund's managing director, gave Argentina's economic reforms further support during a one-day visit to Buenos Aires this week. He said on Wednesday that in spite of some deviation from agreed targets, Argentina's market-based economic policies were on the right track.

Appearing relaxed and in high spirits, Mr Camdessus said he was "enchanted" to visit Argentina when monthly inflation had fallen below 1 per cent. However, he warned that despite impressive recent advances, Argentina must still work hard to consolidate its reforms and achieve full stability.

In July Argentina signed its 15th standby agreement with the IMF. A key stipulation of the one-year $1.04bn programme is compliance with progressively tougher budget surplus targets. It is widely believed that the economy minister, Mr Domingo Cavallo, cannot attain the $1.43bn budget surplus target in the fourth quarter.

Although Argentina has never fully completed any of its IMF programmes, Mr Cavallo is determined to comply with the current standby and convert it into a three-year $3bn extended fund facility (EFF) loan. The US government has also interceded with Mr Camdessus on Argentina's behalf.

Mr Camdessus indicated that the targets would be reviewed, and officials say a compromise will be found enabling Argentina to begin drawing down the first tranche of the EFF loan in the spring. Argentine and IMF officials are negotiating terms and macroeconomic targets for an EFF.

Nonetheless, Mr Camdessus called on Mr Cavallo to do more to control spending both at federal and local government level, improve revenues by widening the tax base rather than by increasing tax rates, and by deepening existing reforms designed to reduce government intervention in the economy drastically.

Gay rights campaign makes little headway

Growing official tolerance has not extended to homosexuals, reports **John Barham**

ARGENTINA, struggling to become a modern democracy, has stumbled over the troubling question of homosexuals' rights. This week Argentina's Supreme Court rejected a request for legal recognition by a gay rights group, arguing that it would create a "grave conflict with moral, family, social, religious and juridical principles".

Mr Rafael Freda, leader of the Argentine Homosexual Community (CHA), has been seeking official recognition ever since its foundation in 1984. Legally, only officially sanctioned organisations can own property, open bank accounts, hire staff and receive donations.

The rejection of freedom of association and free speech for a widely despised minority underlines yet again both the intolerance of Argentine society and how limited its political culture remains. Homosexuality is taboo in a country permeated by conservative Catholicism, reinforced by aggressive machismo and a deeply conformist culture.

The attitude to homosexuality contrasts with Argentina's return to democracy and political stability. President Carlos Menem is fond of repeating: "Never before has Argentina enjoyed so much freedom." There are reasonably free and fair elections, there is no press censorship and the once formidable powers of the military and church have been greatly reduced.

Awkward issues like sexuality and drug use are being discussed more openly today than five years ago, but are still likely to attract near-hysteria. In September, a 16-year-old boy was expelled from school for submitting an "obscene" comic as part of his homework. His fate was decided at ministerial level amid frantic media coverage.

Discussion of subjects that challenge established mores are often stifled as much by prudish reserve as by the Catholic church's still considerable moral hegemony. Opposition from the bishops has prevented the distribution of free condoms to prevent the spread of Aids. Even Mr Freda admits he feels uncomfortable discussing sex in public.

However, despite being dismissed from his job as a TV script writer (he now teaches literature at a state school) is hopeful. He says: "I am 43 and the last eight years are the longest time I have lived in a democracy. There is not total freedom, but things are starting to move. It is a formal democracy that lacks substance, where people are still waiting to see what the chief will say."

The message from Mr Menem and the supreme court justices he appointed appears unequivocal. But Mr Freda says he has received heartening support from colleagues and the general public. He believes that sooner or later the government will concede CHA legal status, marking a big step forwards for an outcast minority and a yet another advance towards a more tolerant, mature and democratic society.

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Just how much impact you really get from television advertising has been demonstrated by a recent study of viewing habits.

The fact is that viewers have become very clever at avoiding the commercials.

Dr. Peter Collett, a research psychologist, set out to discover exactly what did go on during commercial breaks.

By using videocameras hidden inside their television sets, he was literally able to see what viewers did when the commercials came on. His findings, whether you are a large advertiser or small, make uncomfortable reading.

Dr. Collett saw that 20% of all commercials played to empty rooms. His videotapes revealed that advertising breaks are the cue for people to escape the commercials.

Some left the room. Others used their remote-control 'zappers' to sample the action on other channels. As a result, another 10% of commercials were lost. Only 70% of commercials had any audience at all.

But the tapes show people talking, reading, sleeping. Even, as you can see from one of the figures above, refining their golf swing.

Half the time, no-one was actually watching the TV set. So in effect only one third of all commercials had the viewers' attention. It would appear that television advertising is less than half as effective as you thought it was.

You have read these facts in a newspaper advertisement.

It has taken you perhaps three minutes and you have read every word so far.

While reading this newspaper, you have not been able to behave as though it wasn't there. If you put it down and go to make a cu tea, or polish your shoes, it will still be th when you return.

We think it unlikely that you could prac your golf swing while reading this advert ment, but please don't take it as a challen

In short, this advertisement has held y full attention.

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This advertisement was placed by the Newspaper Publishers Association.

AMERICAN NEWS

US struggles to cope with refugees from Haiti

By George Graham in Washington

A VAST refugee camp was yesterday springing up at the US naval base of Guantanamo Bay in Cuba, as the US government struggles to devise a policy for dealing with the exodus of refugees from Haiti.

Over 5,000 Haitians have already fled their country since the military coup that ousted President Jean-Bertrand Aristide in September. Many of them have been rescued by the US coast guard from overloaded boats at risk of capsizing in rough Caribbean seas.

The administration's policy of returning the refugees to Haiti, on the grounds that they are economic fugitives at no risk of political persecution in their home country, has been held up by a federal court injunction. This injunction expires on Monday, however.

US officials have tried to keep the Haitians off their territory, because the procedures for repatriation are much more difficult once they have set foot in the US.

Both Democrats and Republicans have attacked the administration's policy of returning Haitians to their island as exercising a double standard, since Cuban refugees are accepted as political exiles. The outcry has been led by legislators from Florida, where the bulk of the refugees could be expected to end up, such as Republican Senator Connie Mack.

As the Organisation of American States (OAS) decided on Wednesday not to lift its economic embargo of Haiti, fears rose that the flood of refugees might increase.

Mr Joao Baena, secretary general of the OAS, said his organisation's embargo was not the root cause of the exodus. "I don't accept the interpretation that this is the result of the action of the member council of the OAS. This is the result of political movement. This is the result of the coup d'état in Haiti," he said.

The US has persuaded a few other countries in the region to accept some of the Haitian refugees, but most are expected to find their way to the camp at Guantanamo, which will be able to accommodate as many as 10,000.

Brigadier General George Walls, in command of the operation, regretted the appearance of a concentration camp created by the concertina wire surrounding the tents.

"If I had a white picket fence, I'd put up a white picket fence, but concertina is what I had," he said.

Canute James adds: Haiti's neighbours, several of whom have been asked by the US to provide temporary accommodation for some of the refugees, are growing concerned at the position taken by Washington, and feel they are being asked to do more to deal with the problem than the Bush administration is doing.


A Haitian woman carries her baby from a US Coast Guard cutter at Guantanamo Bay.

Representatives of the Trinidadian and Jamaican governments say their willingness to accept a few of the refugees is influenced by humanitarian considerations, but they had expected the US administration would by now have established the means to process the requests of the Haitians for asylum in the US.

"The construction of the tent city at Guantanamo Bay and the effort to send the Haitians home indicates that few of the refugees will be granted asylum in the country to which they want to go," said one Jamaican Foreign Ministry official yesterday.

"The cordon created in the Windward Passage by the United States Coast Guard and Navy is going to drive more refugees in this direction. Those who are already here say they want to stay. But countries in the Caribbean cannot provide the social services needed to handle large numbers of refugees."

Jamaica has undertaken to house some refugees who have arrived in the island by boat from southern Haiti. Trinidad and Tobago have agreed to take an undisclosed number. About 1,000 are in eastern Cuba.

Trinidadian officials say their agreement to take some refugees was dependent on financial support for the effort from the US government and international agencies. One official in Port of Spain said most countries in the region were likely to consider doing more for the Haitian refugees, but the US "had to lead by the example of granting asylum to those, like the Haitians, who deserve and qualify for asylum, and who want to go to the US and not to other countries."

Brazilian trade surplus declines

By Christina Lamb in Rio de Janeiro

BRAZIL'S monthly trade surplus fell to its lowest value this year in October, despite a 17 per cent devaluation of the currency.

The trade surplus for last month was $402m, undermining initial government projections of ending this year with a $13bn surplus.

The accumulated surplus to date of $9.46bn is lower than in the same period last year. Brazil ended 1990 with a $10.75bn surplus – well down on its record in 1988 of $19bn.

The government had hoped that with the ending of a strike at Banco do Brasil, which was hindering the registering of export contracts, and September's devaluation, October's trade balance would be above $600m in order to boost flagging foreign exchange reserves.

Gold operations by Brazil's Central Bank have been suspended for the past month because reserves had fallen to near-critical levels of $7bn. The past two weeks however have seen a large influx of dollars brought into the country by individuals and companies because of crippling domestic interest rates of 35 per cent a month.

Officials from Brazil's Foreign Trade Department yesterday blamed October's disappointing trade figures on big increases in the import of wheat and oil, and said the total trade for the month of $4.9bn was the highest October figure in the last decade.

Since the mid-1980s Brazil has had a policy of generating huge export surpluses in order to serve its foreign debt but the government of President Fernando Collor says this is no longer its priority.

First case of cholera confirmed in Rio

By Christina Lamb

THE first case of cholera in Rio de Janeiro has been confirmed, sparking off fears of a further decline in the already flagging tourist trade and potential problems for the Earth Summit next June.

Brazil has registered 328 cases of cholera to date, with only nine deaths, and till now has, through extensive monitoring, managed to keep the disease to the Amazonian border areas with Peru, where the epidemic began.

Rio's first cholera patient is a 21-year-old soldier who spent the last 11 days travelling by boat and bus the 5,000km from Manaus, the capital of Amazonas, to visit his family in Rio.

The city authorities have told the population not to panic and are inspecting the drains and beaches in the northern zone of Rio where the soldier was staying.

But scientists have long been warning that if the disease was to reach one of Brazil's big cities the effect could be devastating, particularly in Rio de Janeiro, where more than a third of the 6m population live in slums and half of these do not have access to treated water.

Congress gets its teeth into the meaty issue of pizzas

By George Graham in Washington

IT has been a bruising session for the 102nd US Congress, which ended his session painfully aware that voters are looking increasingly likely to use next year's elections to throw out a large number of incumbent members.

Despite a flurry of last minute activity, a pernicious but pervasive view remains that Congress has not legislated on anything in all these months of partisan battle.

Pervasive, but wrong: for, unknown to most voters, Congress has resolved the burning issue of the pepperoni pizza.

After a titanic struggle that pitted big business against consumer protection, deregulation against public health, and Pizza Hut against the Frozen Pizza Institute, the Senate and House finally passed a bill that would allow Pizza Hut to sell their products in schools.

"There is no easy way to describe why Pizza Hut is locked in combat with the Agriculture Department, the Frozen Pizza Institute and a half-dozen consumer groups. This is what the legions of lawyers hired by both sides say, and they are right," commented the Washington Post.

Part of the problem is hygiene inspection. A restaurant may sell meat to its customers, but if it sells meat to a school, which then sells to students, it becomes a processor subject to the same daily Agriculture Department inspections as a slaughterhouse.

A pizza becomes a meat product if its meat content is more than 2 per cent of its weight.

If it is not a meat product, a pizza is probably a dairy product, because of its cheese topping. Dairy products are supervised not by the Agriculture Department but by the Food and Drug Administration.

Unless, of course, it is in fact a sandwich. Sandwiches because of another set of regulations, may be resold so long as they are at least 35 per cent meat, and surrounded but not enclosed by two pieces of bread.

This means that a hot dog may be sold to a school for resale, but a sausage roll may not. If you were to argue differently, however, it would take weeks for anyone to unearth the precise ruling.

Fortunately, Congress can take an Alexandrine approach to such Gordian problems: vote, and let the lawyers decide later what was voted.

ADVERTISEMENT

FUTURE BUSINESS STRATEGIES IN SOUTHERN AFRICA

South Africa — a pivotal point for investment and business in Africa

Neil van Heerden, South Africa's Director-General, Foreign Affairs Department talks to John Spira, Finance Editor of Johannesburg's Sunday Star.


Neil van Heerden

Spira: Foreign providers of finance and foreign investors should surely be looking positively at the reform process in South Africa? Why hasn't this attitude resulted in a marked inflow of capital?

Van Heerden: Developments in South Africa over the past 18 months have taken us over new horizons — good news for foreign investors, because ultimately it speaks of greater inclusivity, sharing of power and the lessening of tensions. All these factors will promote stability, which will in the end promote economic growth and make for viable investment possibilities.

At the same time, however, a question mark remains in their minds. They ask whether they have any guarantees that it will work.

I believe it will work. After all, South Africa is not just another undeveloped country crossing the threshold into an uncertain future. South Africa is at least a semi-developed country with a well developed infrastructure, a good plug into modern technology, an established social order in the sense of communities that are well defined, and an established cultural, social and religious framework.

In the past, an impediment to long term stability was apartheid. Now that apartheid has been removed, you are seeing the emergence of the original social structure, which means that all the elements that make for social stability (manpower sophistication, technical know-how and the like) remain.

The new political future is perfectly in line with global trends toward inclusiveness, the negotiation of settlements rather than confrontation, and the recognition of minority interests. There can be no doubt that South Africa is moving toward being better attuned to the big world.

I hope and believe that foreign investors will take a medium to long term view of South Africa, which, after all, still has a strong resource base plus the other advantages which have in the past been attractive to overseas investors — with the added advantage that racial discrimination (the factor that made South Africa such a hassle factor in the past) has now been removed.

Spira: Would South Africa's position in Africa be a factor?

Van Heerden: South Africa is emerging as a platform for business in southern Africa and wider afield. You're looking at a pivotal point from which investment and business opportunities can take place in the rest of the continent.

You may argue that that's no great shakes because Africa is in bad shape. That may be so; but it is also true that investors in Europe and North America will eventually have to look at investment opportunities beyond their own borders.

Already in Western Europe there's a certain saturation of investment opportunities. They're going to have to look beyond their comfortable 6 percent return on capital. That, of necessity, will entail a degree of risk. I believe South Africa should merit a place in the array of countries at which they will be looking. They'll be attaching a risk factor to South Africa of their own calculation but we should at least be on their list.

Spira: Are negative factors — unrest in particular — likely to be temporary?

Van Heerden: Yes. Most importantly, the violence has been isolated. We understand their horror when they see the flashes on television. But we ask them to please believe that there is life beyond those flashes; that there's more to South Africa than just those flashes.

The South African community has reached the stage of grappling with those problems. What you are seeing is a community committed to getting its house in order. And don't forget that this is a house which has paid handsome dividends to investors in the past. If we get our house in order — and we're doing our level best to do so — this may just well be a good place in which to invest.

Spira: Are all sides of the political spectrum committed to getting South Africa's house in order?

Van Heerden: You need no more evidence than the recent peace conference. It wasn't just a once-off event. It was preceded by weeks and months of negotiation to make an institution of fighting violence.

I cannot stress too strongly that South Africa isn't a boat cut loose in a wild river. I understand the sensitivities, but add that South Africa is really worth a second look.

Spira: You mentioned South Africa as a springboard into Africa. Can you elaborate?

Van Heerden: Now that we have behind us the Soviet setbacks, the ideology which drove that disaster is disappearing. We can expect African governments to move away from those ideologies and revert to market economies. They're already doing so. But it's still early days. To stroke an idea is one thing but to practice it is another. There's nevertheless a marked turnaround.

That's going to bring more sensible economic policies and in time more sensible economies. Those economies are to a large extent turned southward. Why would Angola buy toothpaste from Portugal if it can get it from Cape Town?

Africa has to a large extent been marginalised in the minds of donor countries. There'll be a painful but real process of readjustment to a sober approach of running economies. All of that will benefit southern Africa and South Africa will be a major beneficiary.

Nor will this process of necessity be of a long term nature. For example:

★ Angola is currently generating oil revenues on a daily basis — and it's spending those revenues.

★ Mozambique, although still involved in a war, will eventually come right. We're trying to help bring about a peaceful settlement there. It isn't wealthy but it has some basic attractions which can add to the economic wellbeing of southern Africa as a community.

★ South Africa has a useful volume of bilateral trade with Zimbabwe notwithstanding the stand-offish attitude of the government there.

★ Botswana boasts an economy which is growing vigorously.

So we see quite a nice economic community developing in southern Africa now that the wars are coming to an end and that the ideological aberrations of the past are disappearing.

We still have the facade of overused rhetoric and traditional posturing toward South Africa. It takes a lot of effort to break down that rhetoric. When we talk to the individual members of the OAU, they tell us the rhetoric is completely out of touch with what is happening in Africa and South Africa. But at the same time they haven't been able to change it for reasons which are peculiar to the OAU.

I nevertheless have every reason to believe that in the next six to 12 months we shall see a dramatic shift in the OAU's public stance.

The stigma to trading with South Africa has disappeared. There's virtually no impediment to our trade with Africa. We're so close to those markets and what we have to offer is suited to those markets, because we are in Africa. So it makes good sense for foreigners to look at South Africa as a platform for expansion into Africa.

The market isn't gigantic. But is the market in Eastern Europe going to be gigantic in the short term? I don't think so. They're all markets that will have to be reorientated, redeveloped and put back on their feet. The same applies to the African markets.

Spira: Will South Africa become a member of the OAU and other African organisations in the near future?

Van Heerden: I've no doubt. It's our inherent right. We're an African country — and one of the more sizeable African countries. Membership of the OAU is something to which we positively aspire.

SADDC can't succeed without South Africa's participation. If we're invited, we'll want to participate. Its policy of turning its member countries away from South Africa hasn't succeeded. The individual members tell us our chair is already at the table but the cop-out answer is that we shall only be accepted when apartheid is gone. Yet the apartheid laws have been abolished. Clearly, the process will take time to gel.

Spira: Are Africa's expectations of South African assistance pitched too high?

Van Heerden: There's the view that South Africa is the United States of Africa. But while we have advantages, we're still a developing country and will, for the foreseeable future, have strong overriding domestic priorities.

But assistance doesn't invariably mean money. It frequently requires an adviser in a particular field to go for a month or two to be of enormous help. That's been happening for years and it will be considerably expanded in the future.

At the same time, South Africa will have to set its priorities very carefully, because we cannot begin to meet the enormous demands of the African continent.

Spira: How are South Africa's relationships with the rest of the world evolving?

Van Heerden: There's been a remarkable turnabout since February last year, measured most accurately, I suppose, by the demise of sanctions, which is now in the final stage of an outgoing tide.

The last remaining sanctions barrier of significance is our exclusion from access to IMF funding. But I believe very strongly that the Americans set great store by a sense of fairness. And as we make progress towards the goals we have set ourselves (among them a constitution and an all-inclusive political process) in conjunction with the institutions of democracy we already have in place at the moment (such as an independent judiciary and a free press) there'll be recognition on the part of the US. They'll not retain vindictive and punitive measures simply to be vindictive and punitive.

The US Administration will surely realise how important the South African economy is for political reform. If it wants to support the process of reform, it won't, in the long term, inhibit the South African economy by denying us access to the IMF.

Right now technically, we wouldn't qualify because of the strength of our balance of payments. But we would like to have the assurance that should the need arise, it will be there. Also, it's an important psychological factor for international bankers.

Spira: Is South African trade with the world at large expanding?

Van Heerden: Yes. Exports are rising strongly and they'll continue to advance — if one is to judge by the number of business delegations coming here and those from South Africa going abroad.

Many significant markets with a strong potential demand for South African goods and services are waiting to be tapped.

For instance, the Arab countries import $228 billion a year — much more than the USSR and 20 times more than Nigeria. It's a market not far away, with a good complementarity with regard to seasons and products. Then there are other pockets with prospective trading opportunities not well penetrated by South Africa — countries like Korea and Thailand. China and South America also, to date, offer opportunities.

I believe our prospects for further export growth are dramatic now that the barriers of sanctions are disappearing.

Spira: What is preventing the South African economy from emerging from its current recession?

Van Heerden: Investors, both at home and internationally, are holding back, waiting to see how the transition process develops. The other signals in the economy aren't especially negative.

I'm optimistic that the confidence factor can change rapidly. I expect that once we get into the multiparty debate confidence will revive. Up to now people haven't believed that we could relatively peacefully reach the negotiating table. When they see it happening they'll change their tune.

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Prime Minister Yitzhak Shamir has dismayed supporters with what is seen as a tactical error

Israel loses first round of peace diplomacy

By Hugh Carnegy in Jerusalem

MR Yitzhak Shamir, Israel's pugnacious prime minister, has a reputation as a canny, unflappable man. But yesterday he had the uncomfortable look of a chef who had prepared the stew, lit the stove and promptly hopped into the pot.

His government's refusal to turn up to Middle East peace talks in Washington on the day appointed by the US allowed his critics at home and abroad to proclaim with renewed vigour their charge that he has never been sincere about pursuing the peace process launched in Madrid last month.

Even many of Mr Shamir's supporters were dismayed by what they saw as a serious tactical error which left the government looking, at best, peevish and nit-picking.

The acceptance by all the Arab parties – Syria, Lebanon, Jordan and the Palestinians – of Washington's invitation to resume talks on December 4 left Israel high and dry. It will have to back down from its refusal to start talks until December 9, or stick to its position and risk the ignominy of being the only party not to turn up next Wednesday. Either way, the government will end up looking foolish.

Mr Reuven Merhav, until recently the director-general of the foreign ministry, pointed out the contradiction of Mr Shamir's objections to the date and location of talks, given that the Madrid process specifically enshrined Israel's long-standing demand for face-to-face bilateral negotiations with its neighbours.

"We always said 'at anytime, at any place'," Mr Merhav said. A popular interpretation of the government's actions is that Mr Shamir is attempting to spin out the peace process as long as possible, afraid that it will lead to Israel having to do what he flatly refuses to contemplate: give up the occupied territories. "He assumes that in this war of attrition, the US will tire first," wrote columnist Nachum Barnea in the newspaper, Yediot Achronot.

In Mr Shamir's office, however, this view is strongly denied. "There is no stalling here," said Mr Yossi Ben Aharon, director general of the prime ministry, in an interview yesterday. "It is not nit-picking. In our case, (the issues) are very, very substantive."

He appealed for greater understanding of Mr Shamir's position and said the need for more time to prepare for Washington was genuine. "For us to manage four simultaneous sets of negotiations is mind-blowing – and we have a coalition government and we have ministers inside this government who are against the whole process."

The government believes the Arab parties will not negotiate seriously if they think the US can be brought in to put pressure on Israel for them. Thus Israel wants to move the talks closer to home – it is suggesting Cyprus – and stagger the separate negotiations with Syria, Lebanon and the joint Jordanian-Palestinian delegation.

Mr Ben Aharon said Israel was also unhappy that the US invitations to Washington mentioned the vital issue of territory because, he said, it suggested the US was already ready to step in. "If there is deadlock later on, there may be a need for outside help to bridge the gap – but not at the outset," Mr Ben Aharon said.

Clearly the Israelis are trying to avoid confronting the territorial question for as long as possible – at least until they have some clear undertaking directly from the Arab side that a genuine, long-lasting peace is on offer.

But Mr Ben Aharon dismissed speculation that Mr Shamir was already looking for a way out of the process, perhaps by engineering early elections.

"There is nothing in this respect now ... no feeling that we have reached the end."

Kenya wins $76m loan from African Development Bank

MR George Saitoti, the Kenyan vice president, signed an agreement yesterday for the African Development Bank to lend Kenya nearly $76m (£43m) for rural development, AP writes from Abidjan.

The loans come two days after western donors, through the World Bank, said they were withholding 1992 aid to Kenya until President Daniel arap Moi's one-party government makes social and economic reforms.

The African bank, which has 25 non-African member states including the Britain and the US, is known to approve loans for projects rejected by the World Bank, but has a solid record that has won triple-A ratings from US credit agencies.

Bank President Babacar N'diaye emphasised that the loan agreements signed yesterday were approved in the first half of this year.

Bank officials said Mr Saitoti's appearance, which was unexpected, may have indicated that he had come to the bank for more than the loans agreed, but apparently went away empty-handed.

Yesterday's agreement covers two loans and a grant totaling $32.1m for agricultural projects, $20.5m for tea estates, and loans of $23.3m to upgrade a rural road.

Kenya's economy is heavily dependent on foreign aid which amounted to about $900m this year, more than the value of the country's exports.

Libya asks to see Lockerbie bombing papers

LIBYA asked the US and Britain yesterday to let it see documents implicating it in the bombing of a Pan Am aircraft over the Scottish town of Lockerbie in 1988, Reuter reports from Nicosia.

The Libyan news agency, Jana, said the request was made by Mr Ahmed Taher al-Zawi, a judge investigating charges against two Libyan nationals.

The US and Britain said on Wednesday that Libya must surrender the two intelligence agents suspected in the bombing, accept responsibility and pay compensation.

Mr al-Zawi urged the US and Britain to provide him with official photocopies of "all the documents and investigation proceedings concerning the incident." Otherwise, Jana said, orders should be given by the "general prosecutor in the US district of Columbia and British director of public prosecutions to allow him to see them (the original documents) in the US and Britain".

Col Muammer Gadaffi, the Libyan leader said, meanwhile, that he could not hand over two Libyan intelligence agents .

"There are no extradition treaties between us and America or Britain," he told the private Telemontecarlo network in an interview due to be broadcast yesterday. Libya has denied responsibility for the bombing, which killed 270 people.

Some of Damascus's 3,000-strong Jewish community join demonstrations in favour of the re-election on December 2 of Hafez al-Assad as Syrian president

At least 17 killed in Togo coup attempt

AT LEAST 17 people were killed when army units stormed Togo's radio and television stations yesterday in an attempt to seize power and halt democratic reforms, a senior French official said, Reuter reports from Paris.

The official said that hardline President Gnassingbe Eyadema, whose supporters staged the coup attempt, was negotiating with Mr Joseph Kokou Koffigoh, the pro-reform prime minister, to put an end to the rebellion.

They said Gen Eyadema, in power for 24 years, was prepared to order troops back to barracks if the transitional Higher Council of the Republic rescinded its ban on his former ruling party, the Rally of the Togolese People. Mr Bruno Belaye, the French ambassador, was with Mr Koffigoh at the prime minister's residence, encircled by rebel soldiers, to underline French support for the transitional government, the official said.

France condemned the coup attempt and called for a peaceful transition to democracy in its former West African colony. Mr Koffigoh had pleaded in vain in Paris on the eve of the coup for French military help. But France was reluctant to get embroiled in a power struggle between him and supporters of Gen Eyadema, diplomats said.

Mr Koffigoh, the apparent target of the latest uprising, was in Paris during the disturbances but returned to Togo late on Wednesday after a francophone summit in Paris which excluded Gen Eyadema.

A Paris-based Togolese group said the coup could plunge the west African state into civil war. "We risk civil war. We know the people are going to go on the streets within 24 hours if the transitional government is not restored. We don't know how the army will react," said Mr Damas Freitas, the group's spokesman.

Mr Koffigoh told a Paris news conference on Tuesday that the High Council of the Republic, guiding Togo's transition to democracy, had requested a French military presence but had been offered only army instructors.

S African poll to reflect white unease at reform

By Patti Waldmeir in Virginia, Orange Free State

MR Gerrit Mayer had just finished voting for the far-right Conservative Party in yesterday's parliamentary by-election in the Orange Free State constituency of Virginia – an important test of white support for South Africa's political reforms – and he was bursting to tell me why.

"The fox and the jackal are the same species. But they don't live together and they don't hunt together," he explained. That is the crux of the Conservative Party's policy: separate homelands for white and black; total segregation.

"Their culture can't be brought up to the level of white culture in just a year or two," he insists. "You can't just take a rock and put it in a wall and say it's a brick."

Virginia is fertile ground for such a message. Most voters depend on the local gold mining industry for their livelihood: many have been retrenched as mining companies react to the low world price of gold.

Tribal violence on the mines, which has left 84 blacks dead in the past three weeks, has also frightened local whites. Nor have they forgotten the incident last year when a white miner was killed by blacks.

Local officials of the ruling National Party acknowledge the white working class backlash against reforms. Indeed, they are privately resigned to defeat – a sobering experience for the government, ahead of a planned nationwide referendum for whites next year.

Virginia was a National Party marginal in the 1989 general election, held by only 47 seats out of nearly 15,000 votes cast.

Given an estimated swing from the National Party to the Conservatives of 7 per cent, the far-right could win a 1,000-vote majority in Virginia.

Many local members of the liberal Democratic Party say they will cast a tactical vote for the "Nats". But that would amount at most to a few hundred votes. Victory in Virginia would give the Conservatives half of the parliamentary sea[ts] in the Orange Free Stat[e] – which was safe Nation[al] Party territory until 1989.

Under the colourful ma[r]quees pitched by the Conserv[a]tives outside the Harvinia Clu[b] polling station in Virgini[a] party agents were celebratin[g] success by lunchtime yeste[r]day. Sausages were sizzling o[n] the barbecue and cheerful Af[ri]kaans folk music was pipe[d] from the loudspeakers. In th[e] communications tent, volu[n]teers were sending cars to co[l]lect housebound voters a[nd] coaxing others to the polls [to] send a strong protest messa[ge] to President F W de Klerk.

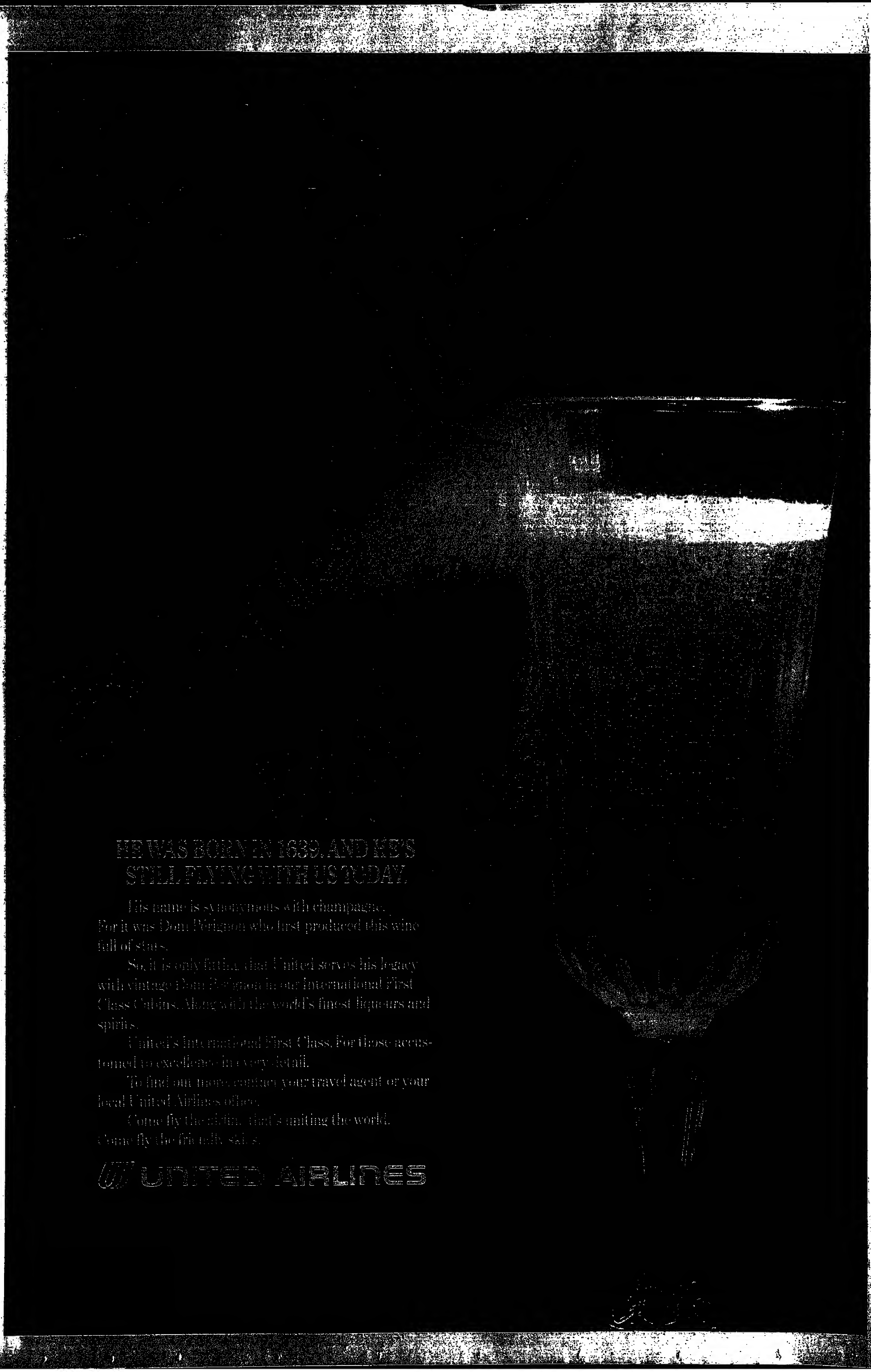
The National Party' dom[i]nance of parliament will [be] unaffected by the Virginia result , and if constitution[al] negotiations proceed [as] planned the area will nev[er] have another whites-only ele[c]tion. But President de Kle[rk] must be concerned that th[e] fears expressed by whites [in] Virginia are present in th[e] hearts of many white Sou[th] Africans.

He must prepare careful[ly] for next year's referendu[m] planned to seek white approv[al] for a transitional governme[nt] including blacks .

"We think it's the only w[ay] to go," says Mr Gerald Mize explaining why he voted [for] the National Party in Virgin[ia]. "But it will be very, very di[ffi]cult." President de Klerk fa[ces] an uphill battle to persua[de] whites that the new Sou[th] Africa is worth the struggle.

The black homeland o[f] Bophuthatswana freed 1[3] hunger-striking politica[l] prisoners yesterday as [a] goodwill gesture on the ev[e] of political reform talks wit[h] white and black South Afr[i]can leaders, Reuter report[s] from Johannesburg.

Bophuthatswana's leade[r] Mr Lucas Mangope, said in [a] statement he had decided t[o] free the 13 mainly Africa[n] National Congress suppor[t]ers after representation[s] from ANC leader, Mr Nelso[n] Mandela, and unname[d] European countries.



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UNITED AIRLINES

Slowdown in Korean rate of growth

By John Ridding in Seoul

SOUTH KOREA'S overheated economy slowed slightly in the third quarter of this year but still expanded by a robust 8.1 per cent over the same period in 1990, the Bank of Korea announced yesterday.

Gross National Product during the July-September period amounted to Won35,370bn ($45.7bn) in constant 1985 prices, compared with Won32,730bn in the same quarter last year.

In the first two quarters of this year, GNP expanded by 9.2 per cent and 8.9 per cent respectively.

Economists at the central bank welcomed the slowdown which they said would help ease inflationary pressure and curb the country's ballooning current account deficit. Inflation is expected to reach about 10 per cent this year, while the current account deficit is already in excess of $10bn.

But they were less satisfied with the pattern of growth. Manufacturing output was relatively sluggish, while the service sector experienced the strongest growth. Exports were also disappointing in the third quarter.

Cambodian talks move to Thailand

A Cambodian reconciliation council, due to meet in Phnom Penh, will convene in Thailand instead after an angry mob forced two Khmer Rouge guerrilla delegates to flee the country on Wednesday, Reuter reports from Phnom Penh.

Khmer Rouge leaders Khieu Samphan and Son Sen fled back to Bangkok within hours of returning to Cambodia. They were to have taken part in the first meeting of the Supreme National Council, the interim body which is to run the country under a UN-sponsored peace accord, signed in Paris last month.

The Khmer Rouge yesterday urged Cambodians to forget the past and reiterated support for the UN accord. "We are of the opinion that Cambodians of all bents should not quarrel," said a Khmer Rouge radio broadcast.

Korea discovers small is not necessarily beautiful

John Ridding examines a troubled business sector

THE LAST day of last August was the last day of business for Ilshin Industries, a footwear company in Korea's south-eastern port of Pusan. Faced with rising costs, falling demand and a deteriorating balance sheet, the company declared bankruptcy.

Unfortunately for the rest of Korea's small and medium-sized corporate sector, Ilshin Industries is not alone.

Since the beginning of this year, and particularly since August, there has been a sharp increase in the rate of failures among companies with 300 or fewer employees (Korea's definition of small and medium-sized business).

Between the beginning of January and the end of September, 117 small or medium-sized companies declared bankruptcy, a 46 per cent increase on the period last year. According to the Korean Note Exchange Agency, which acts as a clearing house for corporate credit notes, the rate of default on loans in the sector doubled since the start of 1991.

This reflects the difficulties faced by the companies as they struggle to adjust to higher costs, tighter finance and more competitive export markets. And, while small businesses bear the brunt of economic difficulties in any country, in Korea their problems are compounded by the dominance of large conglomerates in the industrial structure.

Their immediate concerns are three-fold. At the top of the list is the difficulty of raising finance. Rising production costs and a shortage of labour compound the problems.

Faced with double-digit inflation, the government has been tightening money supply. For small businesses, already facing difficulties in raising capital, the impact has been severe. "If you are a small company and you are not self-sufficient in financing, then you are in real trouble," says Mr J.H. Lee, president of a luggage manufacturing company. "The financial system works in favour of big companies, and we are starved of funds."

The government has taken steps to alleviate the problem, in particular requiring that commercial banks give a minimum of 35 per cent of loans to small and medium-sized businesses. But the effectiveness of the policy has been undermined by pressure from the Chaebol, the large conglomerates which dominate the economy. They have extended the maturity of credits owed to small companies, hence depriving them of working capital, and the commercial banks have circumvented official ceilings on interest rates by requiring that a certain proportion of loans be deposited with them. The result is that small companies face effective bank interest rates of about 16 per cent. On the unofficial "kerb" market, where many small companies are forced to seek funds, interest rates are higher still.

The scarcity of capital is compounded by rising labour costs and a scarcity of workers. Since the introduction of democratic government in 1987, pay increases averaged about 15 per cent annually; hours worked fell from 234.6 per month to 216 hours in 1990. "We are finding it very difficult to find workers at all," says Mr Ham In Wha, director of Doshin, manufacturer of electronic and stuffed toys. "Skilled workers want to work for the Chaebol."

Cost increases have eroded the competitiveness in international markets. Hanjoo Electronics, which exports car radios to the US, said that sales there have fallen steadily as its prices have been undercut by lower-cost South-East Asian competitors. A similar story is heard across the small-company sector.

The obvious remedy is to reduce costs through automation and labour-saving machinery and to move upmarket into higher value-added products.

Some progress is being made, but restructuring costs money, and the financial constraints faced by small and medium-sized companies have become increasingly binding.

The government has helped by increasing export financing loans from Won600 (80 cents) to Won650 for each dollar of exports, and by earmarking an additional won 70bn to help finance industrial restructuring efforts on the part of small industries. "We need to develop small companies because we need higher-quality components for our large-scale manufacturing industries," says Mr Kim Hong Kyung, director-general of the Small and Medium Industry Bureau at the Ministry of Trade and Industry. He argues that the Korean economy needs more flexible production and development of niche products, and that this need should be met by smaller companies.

But small businesses are taking little encouragement: "We have heard their promises many times before," says Mr Huh Sang Nyung, executive vice-president of the Korea Federation of Small Business. "Even when they have a good policy they don't seem to be able to carry it through."

BANKRUPTCIES OF SMALL AND MEDIUM INDUSTRIES*

Bankruptcies	1990	1991
Metal/machinery	25	67
Textiles/clothing	17	36
Chemicals/plastics	19	29
Others	56	39
Total	117	171

*First nine months 1990 and 1991 — Source Finance Ministry

CREDIT NOTE DEFAULT RATE*

1990	%
January	0.24
July	0.18
August	0.15
September	0.18
1991	
January	0.23
July	0.29
August	0.33
September	0.36

*Small and medium-sized industries — Source Industrial Bank of Korea

Hong Kong officials evicting families from the Walled City yesterday in a move to clear the squalid enclave that is on British territory but nominally under China's jurisdiction.

Indonesians thwart rally in East Timor

INDONESIAN troops thwarted a planned rally in East Timor yesterday to mark the 15th anniversary of the Fretelin guerrilla group's pledge to win the territory's independence from Jakarta, an anti-Indonesia activist said, AP reports from Dili.

Meanwhile, a team appointed by President Suharto arrived in East Timor to investigate the army's killing of pro-independence demonstrators two weeks ago in bloodshed denounced by governments around the world.

The activist said that troops turned away East Timorese relatives of the shooting victims as they tried to enter the capital, Dili. There were no clashes and no arrests.

India faces strike over reforms

A STRIKE called for today by India's powerful left-wing trade unions is expected to cripple ports, airlines and banks, politicians and news reports said yesterday, Reuter reports from New Delhi.

The unions are protesting against government moves to close down or sell off unprofitable state-owned ventures, part of sweeping economic measures initiated earlier this year. The unions fear there will be huge job losses. Unions controlled by Congress and the opposition Bharatiya Janata Party are not striking.

India has embarked on a package of reforms to rescue an economy burdened by a $71bn foreign debt and choked by regulations.

Japanese MPs split on allowing troops overseas

By Stefan Wagstyl in Tokyo

JAPANESE MPs are preparing for a long and rowdy parliamentary debate over the controversial bill to authorise troops to take part in peace-keeping missions overseas.

The bill is due to be put to a full session of the Diet's lower house today after the governing Liberal Democratic Party put off the debate, originally expected yesterday.

The legislation has caused sharp divisions between Diet members who support it on the grounds that Japan should make a bigger contribution to international affairs and those who claim that the despatch of troops overseas could conflict with the country's pacifist constitution.

Yesterday there was fierce argument about the LDP's decision on Tuesday to railroad the bill through a key committee, a move which prompted some opposition members to storm the committee chairman's desk.

Opposition members denounced the railroading a unconstitutional and threatened to resort to time-wasting tactics in the lower house session.

The LDP agreed to put off the debate until today after the centrist Komeito party pressed for a cooling-off period in the hope of averting tactics that might damage public trust in parliament.

● A new LDP faction was formally inaugurated yesterday when Mr Mutsuki Kato, 65, former agriculture minister launched a new grouping with 13 members. Mr Kato left the faction headed by Mr Hiroshi Mitsuzuka, after losing a battle for control.

The two men had fought over inheriting the faction headed by Mr Shintaro Abe the former foreign minister who died earlier this year. Mr Kato's new faction is the smallest of the LDP's six constituent factions but it aims to try to poach members from Mr Mitsuzuka.

Police round up Bhutto supporters

THE arrest of hundreds of opposition activists in southern Pakistan left the political heartland of Ms Benazir Bhutto, the opposition leader, in turmoil yesterday, Reuter reports from Karachi.

"There is no choice except to come on the streets," said Mr Salman Taseer, a leader of Ms Bhutto's Pakistan People's Party.

He called the mass arrest of party members and youth activists throughout Sind in the past 36 hours the "last signs of degenerating moral authority" in the province.

People's Party estimates of the numbers arrested ranged up to 2,000. Police confirmed 500 had been detained, but Mr Jam Sadiq Ali, Sind's chief minister, claimed that only 318 members of the banned Al-Zulfikar Organisation (Azo) had been caught in his dragnet. "If they don't understand the language of warnings, the government should not be blamed," he told a news conference in the provincial capital, Karachi. "I will not spare the Azo members involved in sabotage."

The People's Party claims that the chief minister has waged an unrelenting campaign of persecution against the party since Mrs Bhutto's federal government was ousted by President Ghulam Ishaq Khan in August last year.

Mr Ali's provincial government is an ally of the prime minister, Mr Nawaz Sharif, but federal government sources in Islamabad said that Mr Sharif was concerned at what was happening in Sind province.

"The federal government has been telling Jam (Sadiq Ali) to lay off," one source said.

The military denied having any part in the round-up.

UK NEWS

Brussels code threatens mine workers pay

By David Goodhart, Labour Editor

SEVERAL miners in the Nottinghamshire coalfield in central England have almost certainly broken the £40,000-a-year pay barrier, according to British Coal officials.

Nevertheless, managers and union officials alike warn that such earnings will no longer be possible if the present draft of the European Commission's directive on working time wins political approval in Brussels next week.

More than a third of the 13,000 Nottinghamshire miners are now earning more than £20,000, but a few face workers and supervisors at pits such as Thoresby, Welbeck and Rufford have now attained £40,000.

An average of 40 per cent of mine workers' pay now comes from pit-level bonuses. Some of those on the highest earnings levels belong to teams working on ad hoc contracts who suspend their normal employment contracts to do a particular job for a set sum.

There are wide differentials between pits on the earnings of the highest-paid groups. While in some pits the highest earners are touching £40,000, in other pits workers on similar grades might be earning as little as £20,000.

To reach the £40,000 earnings level, miners would have to work large amounts of overtime, probably including regular seven-day weeks, which may violate the current working time directive.

Mr Neil Greatrex, president of the Nottinghamshire area of the Union of Democratic Mineworkers, said that the working time proposals could "play havoc with the existing shift and bonus system".

Mr Greatrex was sceptical about British Coal plans to introduce the best US levels of productivity at the new Leicestershire pit of Asfordby, which is intended to produce nearly 2m tonnes a year with a workforce comprising 420 men.

Mr Greatrex said that such figures were "pie in the sky" for the Asfordby pit, due to open in 18 months.

British Coal is expected to make continuing cuts in the workforce over the course of the next few years. Nearly 2,500 jobs may be lost as a result of the introduction of a new roof bolting system designed to secure tunnels.

Airline computer booking system in £200m upgrade

By Daniel Green

GALILEO, the computerised travel booking service owned by British Airways and nine other airlines, is raising its prices by 8 per cent in January as a prelude to completing its investment in a global network for booking agents.

The organisation plans a £200m-plus investment to upgrade computer screens in 1,900 travel agents in the UK by July 1992 and 8,000 worldwide by early 1993.

Travel agents will be able to call up lists of alternative flights between destinations: the older system displays flights according to airline, making it cumbersome to compare alternative carriers. UK travel agents will also be able to make electronic bookings through Galileo with British Rail.

The upgraded version of Galileo, in which bookings are made through a central computer in Swindon, southern England, processes 400,000 bookings a month. Mr John Zeeman, Galileo's chief executive, said yesterday he intended that to rise to 8m a month by 1993.

Galileo faces competition from Sabre, owned by American Airlines, and Amadeus, formed by Air France, Lufthansa and Iberia, which are also linking their computers. Mr Zeeman said Sabre posed the biggest threat in the European market.

Retailers clash with government on Sunday trading law

By John Thornhill

CONTROVERSY over Sunday trading in England and Wales increased yesterday when retailers said that the government failed to acknowledge letters warning that they would be forced to break the law unless it was applied consistently.

In Parliament 50 MPs backed a motion expressing concern that ministers appeared "to be running away from their responsibility to uphold the law".

Tesco, the supermarket chain, said it wrote to Mrs Angela Rumbold, responsible for Sunday trading, asking her to stop some of its competitors from trading illegally on Sundays. The store said neither were acknowledged.

One executive described the chain's decision this week to go ahead with Sunday opening as "the child of frustration". The company said it had no desire to break the law but could not stand by and see competitors take its trade.

Storehouse, the retailing group which is opening many of its stores on Sundays before Christmas, also wrote to Mrs Rumbold seeking clarification of the law. It also said it had received no response.

Last night the Home Office said it was checking its records to see whether Mrs Rumbold had replied.

The Home Office said that Mrs Rumbold had held 19 official meetings and many private talks with different parties, including Tesco, since April in an attempt to reach a compromise.

"They were asking Mrs Rumbold to enforce the law, but she cannot do so. The 1950 Shops Act puts the responsibility on the local authorities to enforce it," an official said.

Mrs Rumbold said yesterday on BBC Radio that it had proved very difficult to get various lobbying groups to agree on new "sensible legislation".

The interested groups had such differing views that they "simply will not sit down and work out a sensible compromise", she said.

Bank charges prompt complaints

By David Barchard

MANY more private bank customers are complaining about the high level of interest rates and the charges levied by the high street banks, according to the annual report of the Banking Ombudsman's Office published yesterday.

Mr Laurence Shurman, the banking ombudsman, said complaints about charges and interest rates were the most frequent topics handled by his office in the past year, making up more than one in six of all those it handled.

The sharp rise in complaints in this area suggests that many personal customers of the leading clearing banks share the discontent felt by small businesses which erupted in a nationwide storm earlier this year.

Business complaints prompted an investigation by the Office of Fair Trading which cleared the banks of colluding to fix interest rates on loans, but accused them of being "insensitive" and "high-handed".

Mr Shurman declined to say which banks generated the most customer complaints. "We seem to get complaints all across the board in roughly the proportions that you would expect," he said. During the year, complaints made to the banking ombudsman soared by 62 per cent to 6,327.

The ombudsman's office, already 25-strong, has been forced to advertise for new staff.

He accepted 594 cases for full investigation and recommended cash compensation in nearly a third of them.

Though complaints about cash machines slipped to third place after complaints about charges and lending practices, they still remain a source of serious friction between banks and their customers. Two in every five complaints fully investigated by the ombudsman were about cash machines.

The Consumers Association said last night that the increase in complaints showed that the banks had a long way to go in cleaning up their act, if they were to regain customer's confidence.

Mr Gordon Brown, the opposition Labour party's spokesman on trade and industry, said it was now time for the government to "get tough" over the banks' behaviour and that it should threaten to conduct a "full scale investigation" into customer service if performance did not improve.

Lloyds Bank said it welcomed the ombudsman's report as positive and constructive and did not see it as a sign of a revolt among bank customers.

"He stresses very clearly that the rising number of complaints is due to greater customer awareness of how to complain," Lloyds said.

Shurman: hears complai

Bleak picture of bad debts for UK bank

Robert Peston looks at a litmus test in the sector: Royal Bank of Scotland's results

ROYAL Bank of Scotland yesterday squashed any lingering hopes that loan losses of UK banks are likely to fall noticeably in the coming months.

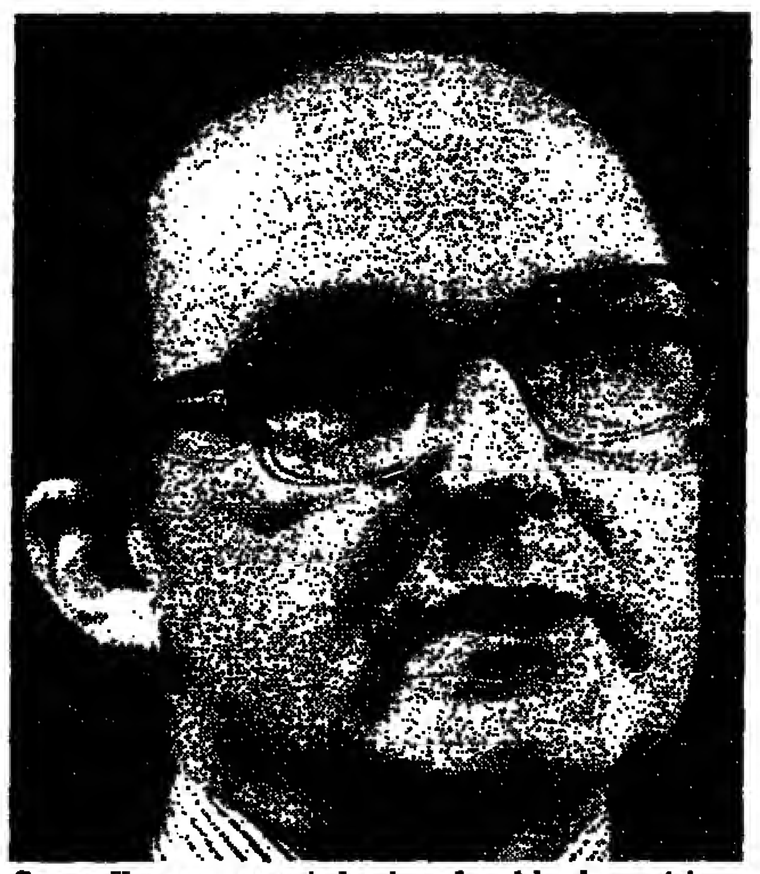
Mr George Younger, the former Conservative cabinet minister, ended his first year as Royal Bank's chairman by disclosing that it has made record loan losses. In the 12 months to 30 September, Royal Bank put aside £351m in provisions to cover such losses.

The best way of illustrating the scale of the problem is to compare the level of provisions with the total size of Royal Bank's loan book. The ratio of provisions to assets was 1.8 per cent, a rate far higher than it has recorded in any recession (more than twice the peak rate of the last recession in the early 1980's).

Royal Bank's results are a litmus for the health of the UK banking industry in general. It has an earlier financial year end than the English clearers and its results give a clue to what can be expected when they disclose their figures, in February and March next year.

The auguries are ill. Though Royal Bank's heartland is Scotland, Charles Winter, the chief executive, said that the bulk of the losses were "massively concentrated in south east England.

"Customers in the north did not reach the crazy peaks of borrowing", he explained.



George Younger: expects lag in reduced bank provision

Small and medium size businesses were responsible for around 55 per cent of the provisions. Big companies – which contributed the lion's share of loan losses at all banks in 1990 – cut their share of Royal Bank's provisions to 25 per cent, compared with 60 per cent in the previous year.

The rest of Royal Bank's provisions related to the personal sector. Unlike the building societies, Royal Bank said its losses from mortgages were "tiny", which is typical of the banks in general.

They avoided the most imprudent forms of mortgage lending when house prices were at their peak in the late 1980's. As a result, they are repossessing far fewer houses than building societies and the specialist mortgage companies.

Nonetheless the message from Royal Bank is that its English rivals are likely to be disclosing big losses again in their forthcoming results.

This is confirmed by conversations with those banks. "We said earlier this year that losses from lending to small and medium size businesses were running at more than £1m a day", commented Sir John Quinton, chairman of Barclays, the UK's biggest bank. "There has been no change since then".

At National Westminster, the second biggest bank, May was the worst month in its history for UK bad debts. There was an improving trend in June, July and August. But bad debts started to deteriorate again in September and October. "It is too early to see a trend of any improvement", Brian Pearse, chief executive of Midland, concurred. "In terms of our manufacturing customers, there is little sign of recovery".

Mr Winter said, however, that there were signs of a tative economic recovery. " number of transacti recorded for each bank acc has increased slightly", said. "In the past that has a reliable indicator of gen economic activity".

But Mr Younger did not that as grounds for optin about the bad debt outl "We hope that reduced p sioning will now be seen" said. "But past experience shown that this will lag be economic recovery".

Mr Pearse added: "In p ous recessions, the bad peak was not reached till after the recovery had beg

The reason for this la the past, was that financ overstretched companies tipped over the edge by need to increase their bor ings to pay for stocks other forms of working ca to meet the increased de for their products or ser In the event they were unable to finance increased debt.

Sir John, on the other discerns a possible silver l in the very severity of the rent losses. "Bad debts i past year have been so worse than in previous sions that the trend on the out of the recession may be different". But he, like bankers, admits that his is in uncharted territory.

Results, Page 26

UK NEWS

TRANSPORT POLICY

Setback for government over bus competition

By Robert Rice, Legal Correspondent

THE British government's attempts to slow the pace of takeover activity in Britain's bus industry suffered a serious setback yesterday when the Department of Trade and Industry (DTI) lost its appeal against the merger of several north of England transport companies.

By a majority of two to one the Court upheld an earlier High Court ruling overturning a recommendation by the Monopolies and Mergers Commission (MMC) that South Yorkshire Transport (SYT), a north of England company, should be forced to sell four rival bus companies which it bought in 1989.

The decision places a severe limitation on the powers of Britain's competition authorities to vet mergers which lead to concentrations in local markets.

The government, which is concerned that the 1986 deregulation of bus services outside London has failed to create sufficient competition, now faces the problem that many bus company mergers will be outside the MMC's investigative net.

The case turned on the meaning of "a substantial part of the UK" within the context of the market share test set out in the 1973 Fair Trading Act.

Court decision places a severe limitation on the powers of Britain's competition authorities to vet mergers which lead to concentrations in local markets.

Britain's monopolies watchdog claimed that the merger, involving the companies: SYT of Sheffield, District Transport, Sheafline (PSV), Michael Groves and SUT, might be against the public interest.

According to the MMC, competition in public transport services in Sheffield had effectively ended following South Yorkshire Transport's acquisitions.

It said each acquisition could result in higher fares, lower standards, quality and frequency of service, and less choice.

In March the High Court overturned the commission's recommendation that the mergers should be unbundled because it said the area of operation examined by the MMC was not "a substantial part of the UK" within the meaning of the 1973 Act.

The Appeal Court yesterday upheld that decision. Lord Donaldson, Master of the Rolls, said

"significant" though the reference area might be, there were many other such areas in the UK and so it could not qualify for the description of "a substantial part of the UK".

Unless the DTI and the commission can successfully appeal to the House of Lords it will be very difficult for the government to refer bus mergers to the commission for investigation with out a change to the 1973 Act.

Until then the only effective way for the government to challenge local bus mergers will be to ask the MMC to carry out a monopoly investigation of bus services in a "part of the UK". The Commission indicated yesterday that *this would not be a satisfactory* long term solution, however.

No decision has yet been reached on whether to seek leave to appeal from the law lords, the UK's highest court.

Train maker to cut further 900 jobs

By Richard Tomkins, Transport Correspondent

BREL, Britain's biggest railway train maker, is to cut 932 jobs from its workforce on top of the 1,650 job losses already announced this year.

The cuts will reduce the workforce to 5,610. The management said they were a necessary part of restructuring plans aimed at putting the loss-making company back on its feet.

The job losses follow the recent removal of Brel's chief executive by the company's majority shareholders - Asea Brown Boveri, the Swiss-Swedish engineering group, and Trafalgar House, the British construction group.

ABB and Trafalgar installed Mr Bo Sodersten, their own appointee, to run the company. Mr Sodersten has launched a recovery plan based on getting costs out of the business to increase competition and win new orders.

Brel, the former train-making division of state-run British Rail, ran into difficulties earlier this year because of its inability to meet production schedules on new trains for BR.

The most serious delays have been with a new express train called the Class 158 which was supposed to have led to a leap in quality of services on Regional Railways and ScotRail routes.

Instead, timetables were thrown into chaos when the trains developed a series of faults. BR and Brel are currently embroiled in claims and counter-claim over the consequences for BR's passenger revenues.

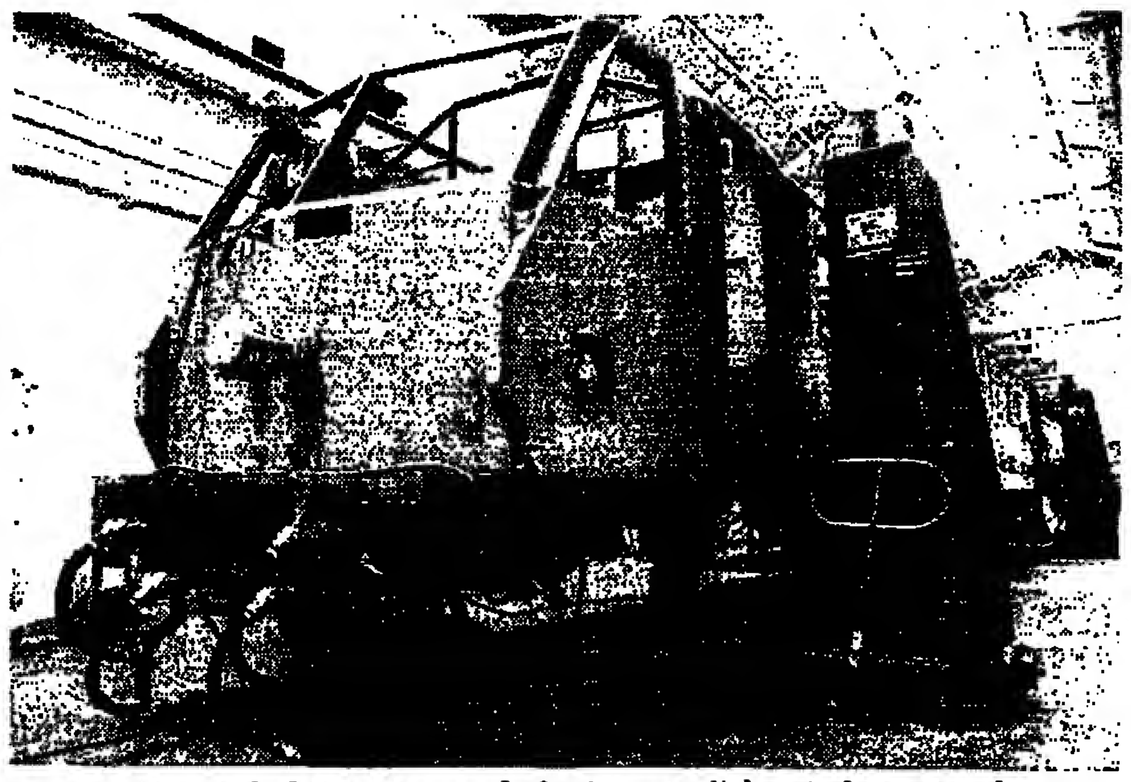
Yesterday's job loss announcement will affect all levels at the company's plants in Derby, Crewe and York. There will be 321 cuts among salaried staff and 611 among blue-collar workers.

Further job cuts are likely next year, particularly at Derby, where there are no new orders to replace the Class 158 production now approaching completion.

A company spokeswoman said the decision to axe 932 staff, including 645 at Derby, was "a vital and necessary part of the restructuring plan to put the company back on its feet".

She added: "We must be competitive and win new work."

Brel, which has axed thousands of jobs since privatisation in 1989, has been badly hit by BR cash problems which have led to delays in ordering new rolling stock. It manufactures around 80 per cent of BR's trains.



JOBS on the line: Brel says new round of cuts are a vital part of recovery plan

European Bank bid by Manchester

By Ian Hamilton Fazey

THE bidding to locate the European Central Bank widened yesterday when Manchester, in north west England, announced that it was to enter the contest.

It will challenge London, Paris, Amsterdam and Frankfurt, which have previously announced their intentions to bid. The bank is due to open in 1996-97.

Competition is also expected from Edinburgh, Barcelona and Lyons, with each regional capital hoping that political rivalries will prevent it going to one of the big European financial centres.

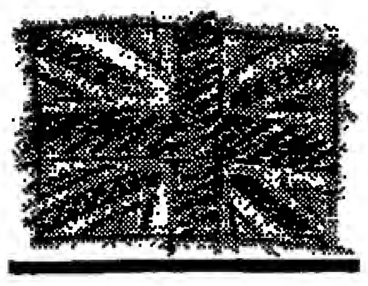
The city's professions and financial services sector will lead the bid, supported by the city council.

The sponsors of the Manchester bid argue that the bank could be a powerful force in regional development and decentralisation.

Manchester has 57 licensed clearing, international or merchant banks, and has good domestic and international communications links.

Mr David Baker, who has been director of Manchester Financial and Professional Forum since retiring earlier this year from the Bank of England, stressed the bid was not a gimmick.

BRITAIN IN BRIEF



TV franchise details 'must be revealed'

The Independent Television Commission (ITC), the commercial television regulator, has been persuaded by a court to hand over a document to Television South West giving reasons why it lost its franchise. It is believed to be the first time that the ITC has had to provide reasons for awarding or removing of a franchise.

The decision could bring to the courts other companies which have lost their franchises, seeking to be given the reasons why they lost. The court ruling also greatly increases the chances of the ITC decisions being challenged by judicial review.

Limit on ICI discharges

The National Rivers Authority is threatening to take a tough line with ICI over discharges from its petro-chemical and plastics plants on Teesside, north England, believed to be the biggest single industrial pipeline feeding into the UK's North Sea waters. Before Christmas, the NRA is to impose limits on the concentrations and types of chemicals ICI releases from its Wilton plants into the Tees estuary.

Sealink Stena in strike ballot

Ships' officers at Sealink Stena Line, the troubled UK ferry operator owned by Stena Line of Sweden, are to ballot on possible strike action over the company's drastic cost-cutting plans. A vote in favour could jeopardise the company's future. Sealink has said the company's survival depends on full implementation of the cuts by January 1.

Ticket agency to be revived

Keith Prowse, the ticket, travel and hospitality company, is to have part of its operations revived by the new owners. After going into receivership in September, most of the company was acquired by Wembley, the international leisure group and owners of the national football stadium. Wembley has revived the Keith Prowse ticket sales operation for taking theatre and and pop concert bookings.

Legal reforms 'rejected'

The Consumers' Association has rejected as unworkable proposals for reform of the civil legal aid system. The main element of the proposals announced by Lord Mackay, the lord chancellor, in June was a "safety net scheme" under which litigants would pay costs up to an assessed spending limit before becoming eligible for legal aid.

Trainees to get funding

Engineering and construction companies in County Durham, north England, are being offered £40 a week for up to 30 weeks for each trainee they employ under a scheme by the local Training and Enterprise Council. The pilot scheme is offering funding for up to 200 trainees, partly in response to training cutbacks by companies hit by the recession. The £350,000 initiative, funded from the Tec's £30m annual budget, is also intended to help combat a potential mid-1990s recruitment crisis caused by demographic trends.

Film agency wins backing

British Screen Finance, a private company which channels loans to films, has announced that it has secured £6m of government funding until the end of 1993. British Screen, privatised in 1986, has already committed some £4.5m to 11 new feature productions, contributing 20 per cent to each film's budget, an average loan of £415,000. British Screen's four shareholders are also committed to extra funding.

660 jobs lost at coal mine

A loss-making pit is to close next week with the loss of 660 jobs, British Coal has announced. Thurcroft colliery near Rotherham, south Yorkshire, is predicted to lose £15m by the end of the financial year because of severe geological problems, a spokesman said. Leaders of the National Union of Mineworkers were meeting today to decide whether to fight the closure. Production may cease on December 6.

Spending on computers rises

The UK's engineering companies are expected to spend £1.37bn on computer equipment next year, an increase of 3.3 per cent over the present year a survey has found. The figures, *collated for the past* eight years, understate the true increase in the computerisation of engineering and process control because the cost of computer hardware is falling so rapidly - up to 40 per cent a year in the case of personal computers.

Launch of oil charter

Employers in the offshore industry have issued a "charter of rights" for workers some of whom, trade unions have alleged, have been discriminated against for raising health and safety matters. It is designed to combat "insinuations that workers can be subject to discrimination or intimidation for raising health and safety matters". Health and safety was raised last year during unofficial strike action.

Record price paid for whisky

A Japanese bar manager, on a visit to Scotland, has paid a world record for a bottle of whisky. Mr Yusaku Matsuda paid £6,375 for the rare 60-year-old Macallan single malt, distilled in 1926. "I won't drink it: I will display it instead," he said.

THE PROPERTY MARKET

Arlington tarred by the BAe brush

By Vanessa Houlder

Mr Raymond Mould, the head of *Arlington Securities, is one of* the few property developers who got out at the peak of the market.

His sale of Arlington to British Aerospace (BAe) for £278m in 1989 has increasingly looked like an act of good fortune as the downturn in the property market has gathered pace.

Yet *for someone who should be enjoy*ing a good recession, the past few months have been surprisingly trying. In the extensive press covereage devoted to BAe's disastrous financial performance this autumn, the aerospace-to-car company's acquisition of Arlington was seen as a particularly telling example of its incompetence.

A lot of the City flak directed at BAe – and the associated embarrassment *for Arlington* – was justified. BAe's share price spiralled downwards virtually the day after it bought Arlington. *BAe paid too much for Arlington*, analysts said, and the property company failed to cushion its new parent from the downturn in other parts of its business. BAe's goal of covering its restructuring costs from property gains proved unrealistic. Arlington made a pre-tax loss of £19m in 1990. Instead of taking money out of Arlington, BAe injected £75m of new equity last year.

Arlington feels it was unfairly criticised and it is keen to repair its image now that BAe's recent rights issue is out of the way. "The press made the *assumption that since the industry as a* whole has made huge write-offs, the criticism must also apply to us," says *Mr Mould. Far from being a black hole*, Arlington is in a strong position, he says.

This year, Arlington is likely to break even, even after writing down some of the town centre schemes in its Burwood House subsidiary. Its cash flow is positive, its rents have held up and it has sold £120m of property so far this year. It has less than 100,000 sq ft of unlet space and the oversupply of the large business parks in which it specialises is *limited. Yields have improved.*

But the main plank of BAe's defence of its purchase of Arlington is that the move was not a straightforward diversification, but rather an attempt to improve the value of BAe's surplus assets.

Arlington says it has already added value to BAe's land-bank – the land available for development – by setting in motion the planning process ahead of the *government's* introduction of tougher planning rules at the start last year. Had Arlington not done this, BAe might have lost the opportunity to develop its newly acquired sites.

Arlington believes it was unfairly criticised and it is anxious to repair its image

BAe has a huge land-bank, comprising 35,000 acres of which 2,300 acres or 24m sq ft are currently developable. Arlington has experience on its side, having pioneered UK business parks *with the development* of Globe Park in Marlow in southern England, in 1981.

Whatever Arlington's own merits, cynics in the City have long argued that the real reason for BAe's acquisition of Arlington was to hide the profits that BAe would make from the land acquired with its purchase of Rover and Royal Ordnance. Arlington rejects this. "The talk about *Royal Ordnance* is nonsense," says Mr Patrick Vaughan, an Arlington director. Much of Royal Ordnance's 4,000 acres of land was too contaminated and inaccessible to make it a *great bargain*, he says.

The same can hardly be said of the 200 acres of developable land which came with BAe's purchase of Rover, much of which is well-located. Earlier this year, the House of Commons trade and industry select committee professed amazement that the government had failed to value the Rover sites before the sale. And earlier this week the House public accounts committee in a further damning report criticised Lord Young, trade and *industry* secretary at the time of the Rover sale, for failing to obtain value for money in the £150m deal.

The Rover sites are politically sensitive because they are associated with the loss of manufacturing jobs. One example is the Cowley site in Oxford, for which Arlington last week applied for planning permission for a landscaped development, including a hotel, offices, high-tech and industrial units. Last year, an independent inquiry crit*icised Arlington's earlier proposal for a* business park on the same site because the project would not have created the right mix of job opportunities.

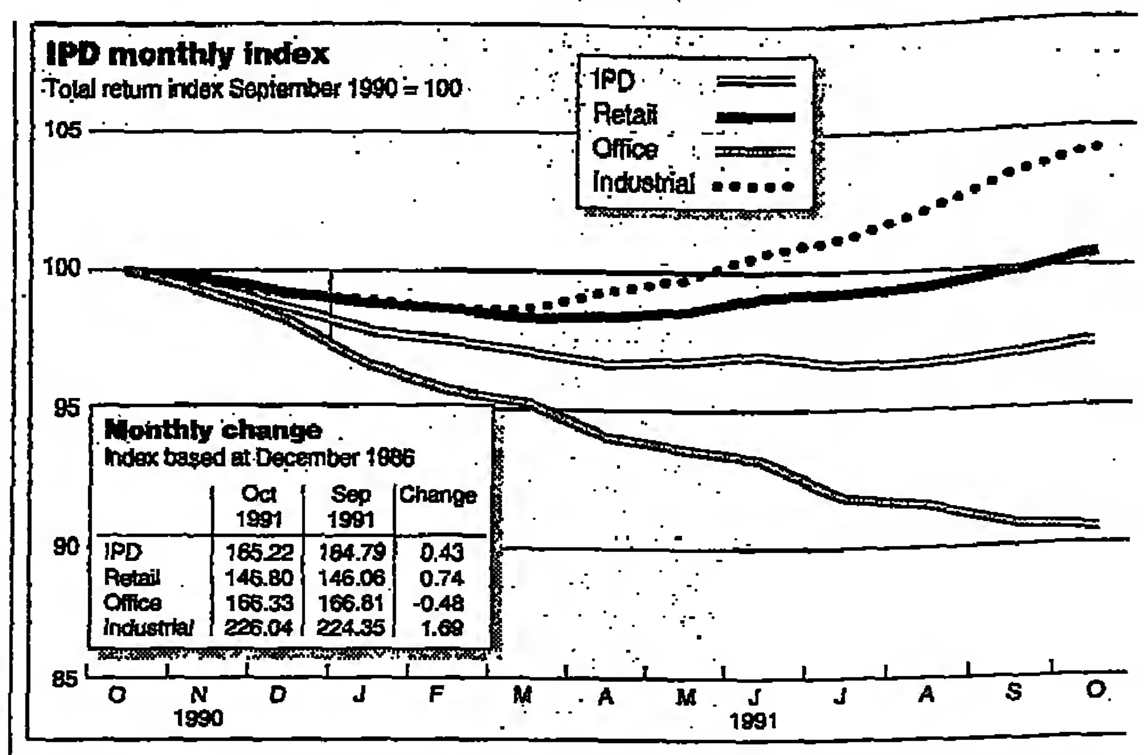
Arlington has several other schemes in the pipeline, such as a 21-acre office project at Bracknell and a £250m business park on 100 acres of Hatfield aerodrome. It also has projects in Calais and eastern Europe (*which suggests that it* does not merely see its role as adding value to BAe's own land-bank).

Another question mark over BAe's purchase of Arlington was whether the experts at the property company would stay within the group. Arlington's directors insist they have no intention *of leaving the company once their gold* handcuffs are unlocked next year. "Why should we leave? We could not replicate that portfolio," says Mr Mould.

Nor indeed is a divorce expected between BAe and Arlington. BAe insists that Arlington is a core part of its strategy, although it is questionable whether BAe will stay in property once it has exhausted its land-bank. "The back of BAe's portfolio will be broken by the end of the century. Then it can decide whether to stay in property long term," says Mr Mould.

For the time being, however, Arlington's role within BAe is to improve the value of its parent's surplus land. It is not alone: in recent years, the property boom and subsequent collapse have focused the minds of many corporations on the opportunities to realise greater gains from property assets.

BAe is not alone in having short-term problems with its plans improve the management of its property assets. Associated British Ports made a loss on its properties in 1990 and British Rail is sorely missing the kind of property profits that sustained it in the late 1980s. Indeed, the idea that property holdings could rival the main activities of these and other companies has been largely buried with the 1980s.



Monthly change
Index based at December 1986

	Oct 1991	Sep 1991	Change
IPD	165.22	164.79	0.43
Retail	146.80	146.06	0.74
Office	166.33	166.81	-0.48
Industrial	226.04	224.35	1.69

Slow improvement continues

The returns to the IPD Monthly Index in October continued to improve with a total return of 0.3 per cent recorded. The year-on-year results appear to be approaching the positive mark, gaining one percentage point from September, and now stand at -2.8 per cent. Capital values improved too, while rental values dropped by *0.4 percentage points; the* year-on-year results are even lower than September's, at -2.7 per cent. Yields have remained stable.

The sector results reveal a similar pattern to those of previous months. Industrials remain the best performing sector with a return of 0.8 per cent, while the retail and office sectors showed total returns of 0.5 per cent and -0.3 per cent respectively. The year-on-year rental value growth is still declining in all three sectors, and is currently *at its lowest recorded point.*

In the retail sector rental values fell by -0.2 per cent and capital values dropped by -0.1 per cent. On a year-on-year basis, total return was positive for the first time since May 1990. Annually, capital growth continued to improve; the result for the year ending October was -6.1 per cent.

The total return for office appears to be improving. Both the October and the year to October returns were the highest yet recorded in 1991.

Industrials showed a total *return of 0.8 per* cent in October, again the highest performing sector. Yields appear to have *stabilised* around the 11 per cent mark.

TECHNOLOGY

Intelligent initiative by Japan

A feasibility study to consider a Japanese proposal for a worldwide R&D project into computerised integrated manufacturing (Cim) was announced yesterday in Brussels. Cim combines computers and robotics with traditional manufacturing techniques.

The Intelligent Manufacturing Systems initiative (IMS) will bring together researchers from Japan, Europe, US, Canada and Australia.

European Community officials attending the European Strategic Programme for Research and Development in Information Technology (Esprit) conference said that discussions about the Japanese proposal began in May last year in Brussels. A second meeting took place in Tokyo.

Detailed proposals, including US-prepared terms of reference, for setting up the feasibility study will be discussed by officials in Switzerland on December 9 and 10 and are then likely to be formally endorsed in February.

The officials said that Japan's Ministry of International Trade and Industry (Miti) originally proposed a joint EC-Japanese project which was subsequently widened to include the US.

Initially EC officials said they were "very cautious" about the proposal which some saw as a possible Trojan horse for Japanese companies to exploit European research.

However, after imposing a number of conditions they confirmed at the Tokyo meeting that they were willing to go ahead with the study. Among the issues to be discussed will be how to share intellectual property rights and the results of any joint research.

Initially Japan had proposed setting up a research centre in Europe to co-ordinate the project. However, EC officials claim the they insisted the research programme be decentralised to ensure a two-way flow of information.

Japan has also accepted that a majority of the IMS initiative steering committee participants should be corporate representatives rather than academics.

Paul Taylor

Peter Marsh on how computers and humans are getting together to make economic predictions

Digital thinking

Predicting the shape of the economy using computers is a science still in the stone age. That could change as a result of a research project in which engineers will try to incorporate into computer software the reasoning process of a top economist.

The collaboration between Manchester University and the London Business School could speed up the job of making forecasts, and improve on the dismal accuracy of most projections about the future shape of the economies of specific countries or regions.

The study borrows from ideas in artificial intelligence – the matching of human intuitive capabilities with the brute-force calculating power of electronic machines.

Such ideas have already been used, though with limited success, in a range of computer systems in areas such as diagnosing disease and spotting faults in factory components.

At the centre of the Manchester/LBS project, being funded by the Economic and Social Science Research Council, is Geoffrey Dicks, the chief economic forecaster at the LBS and a highly respected economist.

The goal is to use Dicks's knowledge to improve on present-day computer models of the economy. These are sets of software which link with mathematical equations many variables such as interest rates, employment, inflation, manufacturing output and overall economic growth.

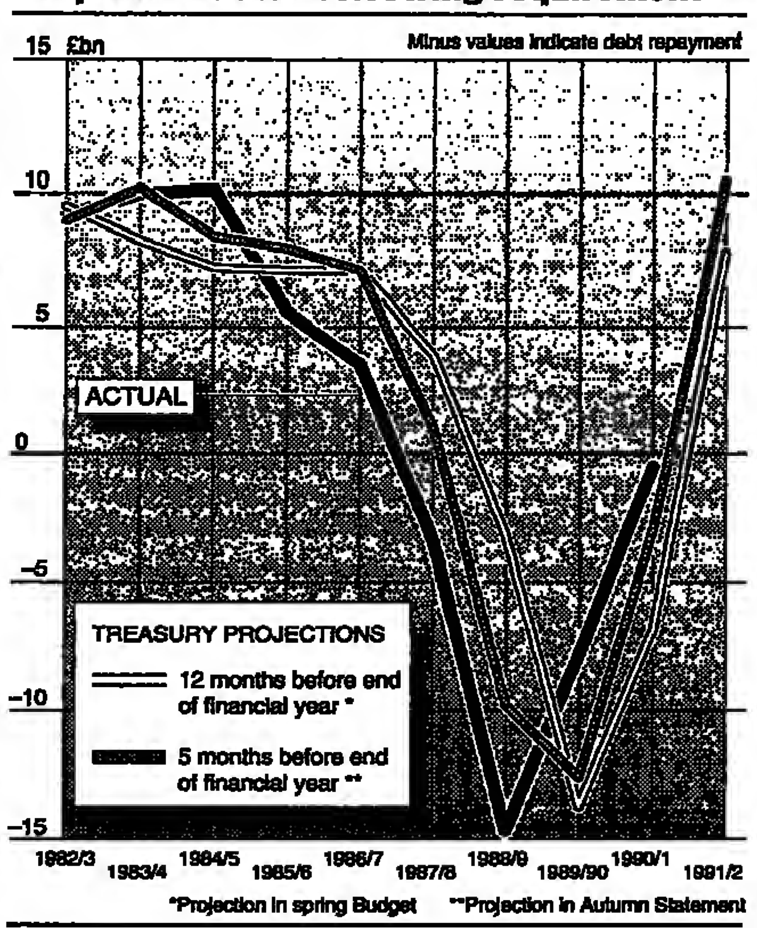
Despite recent advances in computer technology and the large efforts by economists in trying to understand how economies function, forecasting is still a highly unreliable business. The errors made by economists in looking ahead leads to millions, if not billions, of dollars of wasted effort in industry due to uncertainties over planning.

Over the next year, Dicks will be quizzed by computer specialists and fellow economists from Manchester University, who will try to discover the basic rules and assumptions he uses when assessing specific aspects of economic activity.

Dicks's ways of working will be translated into a set of computer instructions, which will act on the numbers emanating from existing models to put a human gloss on the raw calculations of the computer.

By incorporating into a key part of a computerised forecasting process the ideas of a top economist, the process holds out the promise of producing top-quality predictions, using an automated, non-labour intensive technique.

UK public sector borrowing requirement



*Projection in spring Budget **Projection in Autumn Statement

Whether the exercise leads to better forecasts remains to be seen. But a cynic might say that the new process, assuming it works, could hardly lead to less accurate predictions than the ones produced today.

As an example, the Treasury's projections for the amount the government has to borrow on capital markets to pay for public spending – in years when the public-sector account is in surplus, this adds up to a debt repayment – have recently been well wide of the mark (see chart).

Computerised economic models, in their current form, are an essential tool in today's forecasting process. A specific section of a computer model would, for instance, work out how a large rise in unemployment and the consequent easing in wage increases might feed through to lower operating costs in factories, eventually triggering increased investment and heightened economic activity.

The advantage of such models is that they can work simultaneously on hundreds of links between variables, coming up with a broad overall view. But predicting the behaviour of the millions of people involved in economic activity is difficult; the equations in existing models frequently break down or give an inexact prediction of what will happen.

As a result, economists treat the data with extreme caution. In a separate part of the process, they have to add their own judgments to decide that a specific figure from a model – perhaps in the area of consumer spending – looks suspect and should be changed.

Alternatively, they might decide to substitute a complete equation. This can happen, for instance, if economists feel that changes in demand for labour or goods are taking place in a way different from how the equations predict.

The Manchester/LBS project is aimed at combining the parts of the existing forecasting process which use computers and human judgments separately. Programmers hope to be able to encapsulate in software the calculations used by Dicks in working out the errors in the computer's operations, and use them in forming a final judgment.

One obvious way of doing this will be to check on past forecasts in areas such as consumer spending, and work out to what degree they have been inaccurate. The average error or "residual" gives a clue as to what the likely margin of mistake will be in the future.

In the project, researchers will also try to take into account Dicks's views about why specific equations often produce a less than accurate view. One set of equations where Dicks's judgments may help to produce better numbers concerns the level of stocks of components and materials in industry. This area of economics has a big impact on overall output levels but is subject to errors.

Dicks says he is looking forward to being a "human guinea pig" in the trials, and thinks the results could provide modest advances on how to improve forecasts.

Whatever happens, however, even the most eminent economists will always find it hard to make accurate judgments about intractable areas such as the propensity of individuals to borrow, or the keenness of industrialists to invest in new machines and buildings.

For this reason, even with automated forecasting processes, a large body of economists will probably be required for a long time to come to feed their ideas into machines, and so give a range of alternatives as to how the economy might pan out.

Computer's taste for hamburgers

A SIMULATED hamburger bar is being used by Toshiba, the Japanese electronics company, to demonstrate a voice recognition and synthesis system which can understand the spontaneous speech of "customers".

One of the big problems with voice recognition systems is that they have to "learn" the voices of specific users. Toshiba says it has overcome this by developing a system which will only need to know a limited vocabularly – in the case of the hamburger outlet just 49 words.

When the customer speaks his or her order into a microphone, Toshiba's Noise-immunity Keyword Spotting software identifies key words and matches them against those stored in the database. The system can also infer what is required when a customer changes an order. If he were to order two orange juices and then correct himself – "make that three" – the computer will deduce that three orange juices are required.

The computer system then responds in a synthesized voice to confirm the order.

Cutting waste down to size

A MACHINE developed in the Netherlands could help supermarkets deal with the masses of waste plastic packaging they accrue on a daily basis.

Developed by Thermopers International, of Hellevoetsluis, the Thermopress uses heat and compression to reduce soft plastics, from film wrappers to polystyrene, by 70 per cent in volume. The resulting rigid blocks of 15 inches in length can then be sold for recycling.

At a cost of around £4,000 to buy, UK distributor Plastic Recycling Technology, of Tunbridge Wells, Kent, believes that the machine should prove economical for supermarket chains, which can sell on their waste packaging instead of paying for it to be removed.

Data virus spreading fast

THE problems posed by personal computer "viruses" – rogue programs that can destroy or damage data – are quantified in a North American survey published this week by Dataquest and the National Computer Security Association of the US, writes Louise Kehoe.

Sixty-three per cent of businesses using PCs have experienced a "virus encounter" and 9 per cent of all sites have had a "virus disaster" affecting 25 or more PCs or diskettes, according to the researchers.

The survey covered more than 600,000 PCs used by companies throughout the US and Canada.

Of the respondents who encountered viruses, 62 per cent reported a definite loss of productivity; 41 per cent reported interference or lock-up; and 38 per cent had corrupted files. Sixteen per cent of the organisations with more than 1,000 PCs experienced a virus disaster, the researchers said. But only 15 per cent of the PCs covered in the survey were protected by anti-virus products.

Testing the salt of the earth

ELECTRICAL and electronic equipment suppliers are being forced by impending EC legislation to ensure that their products do not produce electro-magnetic interference, nor succumb to it. But where do companies get their products tested?

ICL, the London-based computer company, is hoping to cash in on the dearth of test sites through the setting up of a subsidiary, CF Europe, to provide conformance testing at its underground test facility in a salt mine in Cheshire. The site, leased from ICI, was selected because the salt cavern displays appropriate electro-magnetic properties for testing – far from TV broadcasts and mobile phones.

Creative juices start flowing

IF THE creative juices have dried up then a Californian computer software package which acts as an intensive brainstorming session may help, writes Joyce Dundas.

Developed by Fisher Idea Systems, The IdeaFisher package uses "free association" to come up with linked words or images. With a store of 60,000 words grouped in 28 categories and 386 topical categories, it gives more than 705,000 idea-associations.

The package, which runs on a PC or Apple Macintosh, comprises QBank, a series of questions asking the user to clarify his or her aims and IdeaBank, where all of the words, epigrams, clichés and famous names are stored. It can take one word and run with it or can compare two disparate ideas.

IdeaFisher, distributed in the UK by Advanced Media Group (AMG), of Privett, Hampshire, has been used in the US for groups or individuals as diverse as advertising agencies, attorneys – to develop lines of questioning – and ministers. to write sermons.

WORTH WATCHING

by Della Bradshaw

Caught by the fisheye lens

A SOVIET-developed camera could solve the problem of the photographers who want to get a wider panorama in their shots.

The Horizon camera, manufactured by Horizon-KMZ, of Moscow, takes photos with an effective 120 degree horizontal field, using a lens similar to those used in traditional wide-angle lens cameras. The Horizon uses a standard camera mechanism and 35mm film.

Lino Manfrotto, of Italy, part of the Vinten specialist camera group and the company that will be selling the camera internationally, believes that at about $1,000 it will be less expensive than other similar cameras on the market. The camera should appeal to professional photographers, estate agents, surveyors and enthusiastic amateurs. It may even be used for taking the obligatory school photos.

Contacts: Toshiba: Japan, 03 3457 4511. Thermopers: Netherlands, 1883 11279. Plastic Recycling Technology: UK, 0892 5133 67. Dataquest: US, 408 437 8000. CF Europe: UK, 061 436 8740. Fisher Idea Systems: US, 714 364 0191. AMG: UK, 0730 88383. Vinten: UK, 0753 891199.

CONTRACTS & TENDERS

TENDER ANNOUNCEMENT FOR SALE OF IRANIAN CAVIAR

Shilat Trading Corporation is intended to sell quality exportable Iranian caviar in all middle east countries, Pakistan and India, through tender.
The winner of this tender will be the exclusive distributor of Iranian caviar in said areas for five (5) years starting with 1992.
Those interested in participating in this tender are requested to pay US.D. 500 to A/C no.5065600007 with deutsche-iranische Handels Bank Hamburg-Germany or A/C No. 20043229 with Tejarat Bank Gharani branch Tehran-Iran as registration fee and submit to one of the following addresses for obtaining tender documents (terms and conditions) until the end of December 91.

SHILAT TRADING CORPORATION (S.T.C.)

HEAD OFFICE	FRANKFURT OFFICE	DUBAI OFFICE
No. 24 11th MIR EMAD STR. TEHRAN-IRAN TEL: 021-842697, 842006-8 TLX: 214203 KVIA-IR 212720 SHIL-IR FAX: (021) 854171	BOCKENHEIMER LANDSTRASSE 43, 6000 FRANKFURT-MAIN, GERMANY TEL: (069) 7240448-49 TLX: 414462 KVIAF-D FAX: (069) 7240641	JIMAL ABDOLNASER SQUAR. PEL BUILDING 9TH FLOOR - No. 905 TEL: 278800 TLX: 49213 JIHED-EM P.O. BOX 52130 FAX: 278943

Those participants who could not call on to A/M addresses directly, should send their applications together with original copy of slip of payment and one empty envelope with full address of participant by registered airmail.

LEGAL NOTICES

No. 0011748 of 1991
IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION
IN THE MATTER OF
V.I. COMPONENTS LIMITED
- and -
IN THE MATTER OF
THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that a Petition was on the 14th day of October 1991 presented to Her Majesty's High Court of Justice for the confirmation of the reduction of the share capital of the above-named Company from £2,582,624 to £135,130
AND NOTICE IS FURTHER GIVEN that the said Petition is directed to be heard before the Honourable Mr Justice Hoffmann at the Royal Courts of Justice, Strand, London WC2A 2LL on Monday the 9th day of December, 1991

ANY Creditor or Shareholder of the said Company desiring to oppose the making of an Order for the confirmation of the said reduction of Capital should appear at the time of hearing in person or by Counsel for that purpose.

A copy of the said Petition will be furnished to any such person requiring the same by the undermentioned Solicitors on payment of the regulated charge for the same.

Dated this 29th day of November 1991

Messrs Macfarlanes
10 Norwich Street
London EC4A 1BD
(Ref: AZL/518974)
Solicitors for the above-named Company

NOTICE OF APPOINTMENT OF ADMINISTRATIVE RECEIVER
LEXINGTON PROPERTIES LIMITED
[illegible]

IN THE MATTER OF EUROPRAG LTD AND IN THE MATTER OF THE INSOLVENCY ACT 1986
[illegible]

NOTICE OF A MEETING OF CREDITORS
HARLEY STREET SPORTS CLINIC LIMITED
[illegible]

CLUBS

MANAGEMENT

Useful to a degree

Andrew Adonis assesses the value of an MBA

The typical British MBA student is male, 27 and middle class. He will be doing the degree on his own initiative, part-time, but with financial help from his employer.

His course will be more practical than it used to be: but that will not much increase its attraction to employers in general, who still rarely target MBA graduates in their recruitment strategies – although they are coming to see the degree as a useful part of management development.

So says a review of the Master of Business Administration degree published today by the government's Council for National Academic Awards (CNNA). Based on 74 of the 116 courses on offer in universities and polytechnics in the UK, it claims to be the most comprehensive study of its kind.

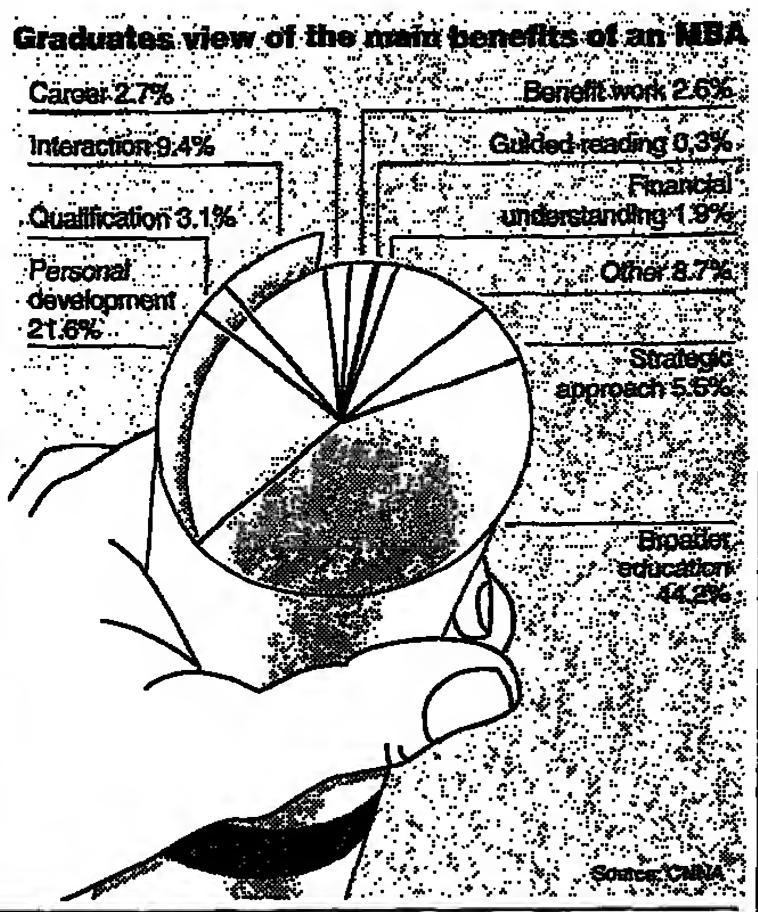
The number of MBA courses has quadrupled in the last six years. According to the CNNA, last year's intake was about 8,000, split almost equally into full-timers, part-timers, and those embarking on distance-learning courses.

Most of the recent growth has come in part-time and distance-learning courses – with universities, including the Open University, moving into modular credit-accumulation courses in large numbers. Sandwich courses are also in vogue – forming the basis of Cambridge's new degree.

Surprisingly few of the MBA students surveyed thought the chief benefit of the degree lay in improving their understanding of business. Half of all university MBA graduates gave "broader education" as the main benefit; 18 per cent said it was "personal development"; only 4 per cent volunteered "strategic approach" and a mere 2.1 per cent "financial understanding".

Like its subject, the report is replete with jargon. There has, we are told, been "a major shift towards greater internationalisation", and "some schools now have this as a priority strategic objective". And the report says behind it all, there is considerable ambiguity about what an MBA actually is. "It is the glamour and success of the MBA which makes individuals and departments want to use the designation; but if the integrity is weakened, the title will lose its power, and everyone will lose".

The MBA, Council for National Academic Awards, 071 278 4411, £15.



Lessons for a new start

Hilary de Boerr reports on help for out-of-work executives

Last Valentine's Day, Colin Parfree was summoned to the personnel office of the telecommunications company where he had worked for 22 years. The operations director was told to clear his desk and leave the building immediately – he was being made redundant because of "restructuring".

At 44, Parfree thought he had a job for life. Shocked and scared, the father of four gathered his belongings and returned home, stopping en route at the estate agents to see about selling his house.

As operations director of his company's communication terminals division, Parfree was earning about £55,000 a year, including perks. Today, he earns £16,500 teaching science at Bishops Hatfield Girls' School in Hertfordshire. He says he finds his new work extremely rewarding.

This outcome has something to do with Parfree's insistence that his redundancy package include the services of an "outplacement" consultancy – career counsellors who help senior executives who have lost their jobs.

Outplacement is becoming big business as the number of redundant top managers mounts. Even the Institute of Directors has just taken the unusual step of offering outplacement services directly to its jobless members.

According to its practitioners, outplacement yields results. Pauline Hyde & Associates, the consultancy working with the IoD, says that outplacement successfully finds new jobs for 98 per cent of people, usually within five months. Almost a third increase their salaries – by an average 21 per cent.

Colin Parfree: finds teaching science at a girls' school in Hertfordshire "extremely rewarding"

Set against such claims the cost of outplacement is less expensive than it looks at first sight. Consultancies charge about 15 per cent of an individual's salary, with a minimum of about £4,500.

The experience was salutary as far as Parfree was concerned. He benefited from the full range of services: personal counselling, stress management, psychological testing of aptitudes, attitudes and capabilities, and practical advice on CV writing, interview techniques and job hunting.

On the outplacement expert's advice, Parfree wrote to old contacts, signed up with headhunters, and had job interviews with other telecommunications companies. He then realised he really wanted to teach, got in touch with his county council and was offered three jobs during the summer.

Parfree found outplacement a "painful but rewarding" experience – assessing his strengths and weaknesses, aims and ambitions. He learned some important lessons, too. "Before, I thought I would leave my job when I was much, much older. Now I tend to think I could do this or that, or run my own business – or, when I've got some teaching experience, supply-teach part-time and do something else part-time. I could think of so many options now," he says.

When Robert Brown (not his real name) was made redundant last year because of a reorganisation at a leading UK consumer products company, he automatically received the services of an outplacement agency. The 51-year-old senior manager took 5½ months to find a new job – as chief executive of a marketing organisation – and increased his salary from £44,000 to £55,000.

Brown had been prepared for the worst but felt confident of getting a new job – six job reorganisations in the previous six years at the company had made him accustomed to change. His redundancy payment of a year's salary allowed time to look around.

Since Brown had his own word processor and the use of library facilities nearby, outplacement was most useful to him as a means of meeting other people in the same situation. "I tend anyway to be quite independent. If it hadn't been arranged for me, I don't think I would have paid to go to the agency – at least not at that stage," he says.

Christopher Lorenz

Sharing power around the world

There is something very appealing about the idea of a large company which ceases to hug almost all real power to its headquarters in California, London or Tokyo, and instead shares it out among its units around the world.

Such a move may not always win plaudits at home, but it certainly does among foreign managers and governments. So it should among shareholders, for paring back the corporate bureaucracy.

Hence the speed with which the ambitious concept of the "transnational corporation" has caught on in the last two years, especially in Europe and the United States. The trouble is that it is becoming a fashion, with all the attendant risks of half-baked decisions, inadequate execution, frustrated expectations, and ignominious climb-downs – a vicious cycle from which some companies are already starting to suffer.

Provided that "transnational" organisations are constructed with the necessary thought and care, experienced European and American multinationals are right to see them as a significant step beyond "global localisation". This term, as used by many publicity-seeking Japanese companies, describes the geographic dispersal of manufacturing, research, design and development for local, regional and (sometimes) global markets.

The "transnational", by contrast, disperses not only the execution of such activities but also, much more significantly, some of the divisional or corporate head office decision-making apparatus.

The most significant addition over the past 12 months to the band of existing "transnationals" – including Unilever, Procter & Gamble, Nestlé and Electrolux – has been IBM.

The giant computer company, based in New York State, decided to transfer from there to near London the 120-strong world headquarters of its $10bn-plus communications system division (CSD). The move was motivated by the openness of the British communications market, the enormous commercial potential across Europe, and the political goodwill to be gained.

Within Europe, the company also dismantled much of its European corporate head office in Paris by splitting up most of this unit's regional responsibilities between IBM national presidents around Europe.

These moves were doubly significant because, in spite of its past attempts to convince the world otherwise, IBM has traditionally been one of the most centralised multinationals in the world. This rigidity has caused many of its current business problems.

IBM is loosening its stays further by giving business units much greater autonomy

In a series of announcements, of which the latest was made on Tuesday, IBM is loosening its stays further by giving business units much greater autonomy. That, in turn, could stimulate more geographic dispersal from the US.

Only time will tell whether IBM can make its new, partly transnational, structure work. But at least the CSD decision was carefully thought-out, and thoroughly "strategic."

The same cannot, unfortunately, be said for Hewlett Packard's August 1990 announcement of a smaller, but equally eye-catching, shift: of the global headquarters of its $1bn-plus personal computer business from California to the French Alps. HP already had almost a dozen factory units outside America with global "charters" for complete product categories. But the PC unit was the first organisation at a higher level in the hierarchy (what it calls a "group") to go transnational.

By this April, when H[P] finally unveiled the details [of] its PC reorganisation, the num[ber] of group jobs being trans[ferred] had been cut to just two: its head and the financial con[troller].

Now the move has bee[n] reversed, with the PC grou[p] being submerged into a ne[w] California-based entity calle[d] Personal Information Product[s] Group, including "palmtop computers, calculators, ne[t]work products and software."

The climbdown is embarras[s]ing, though it has more to d[o] with the changing nature [of] the PC market than with an[y] failure on the part of th[e] highly respected French e[x] head of the PC group. H[e] retains the leadership of th[e] European PC business, base[d] in France, and gains a muc[h] clearer global charter for pa[r]ticular types of PCs than h[e] had 15 months ago.

For other would-be transna[]tionals, the main lessons [of] HP's embarrassment are as fo[l]lows. First, don't make a stra[]tegic mountain out of a[n] opportunistic molehill. If yo[u] decide to give the leadership [of] a particular business to a fo[r]eign-based executive for pra[g]matic reasons (HP's America[n] PC chief had quit suddenly [to] join Apple), don't dress it up [as] a strategy.

Second, no matter how su[c]cessful the foreign-based exec[u]tive may be – and HP's Eur[o]pean PC unit outclasses its U[S] cousin by a mile – think twi[ce] before transferring the glob[al] business HQ to a region whic[h] is neither the world's comme[r]cial nor technological leader.

Neutral territory is a sui[t]able "transnational" base on[ly] in certain circumstances: Pil[k]ington's recent choice of Bru[s]sels for the European hea[d]quarters of its flat and safe[ty] glass business was dictate[d] heavily by the need for a dipl[o]matic compromise with its tr[u]culent large German unit.

Transnationals are trick[y] animals to construct.

But the effort is very nece[s]sary, since they promise to [be] the fittest species in the glob[al] struggle for corporate surviva[l].

ARTS

Detail from 'Landscape with St John preaching' by Bartholomeus Breenbergh

Old Masters drawn to figures

Susan Moore reviews current exhibitions in the London galleries

Richard Feigen has a taste for 17th century Dutch Italianate landscape painters and for staging small, monographic shows in his New York and London galleries. In the spring we were treated to the first ever – and long overdue – exhibition devoted to the lyrical ideal landscapes of Adam Pynacker. This autumn, the artist presented for reappraisal is even less familiar in this country, Bartholomeus Breenbergh.

Pynacker was among the second generation of Dutch artists who migrated South to bask in the golden light and antiquity of the Roman Campagna, and a painter of pure landscape. Breenbergh was of the first generation, arriving in Rome in 1619 and staying for a decade. As this exhibition reveals, he was to move away from painting landscape, where figures of Lilliputian dimension seemed incidental, to compositions in which figures and subject were of pre-eminent importance. Landscape was relegated to an often cursory sepia-tinted backdrop.

The three earliest works in the exhibition, all executed in Rome, show Breenbergh conscious of the artistic legacy of Adam Elsheimer and Paul Bril. Certainly the first, a wonderfully crisp pastoral oil on copper, employs a favoured Elsheimer device of rocks, classical ruins and dark forest receding into a filmy blue-green distance. Unlike Elsheimer's figures, however, which are an integral part of the landscape, Breenbergh's are afterthoughts, his goats positively spectral.

In striking contrast is the unexpected natural drama of his view of Bomarzo. Its rock formations and undulating landscape are streaked with livid light and deep shadow cast by the leaden clouds above. It brings to mind El Greco's Toledo and, more relevant, the highly charged paintings of the native leading landscapists, Domenichino and Tassi.

The 1630s found Breenbergh in Amsterdam and at his most prolific – and possibly his most Italianate. Influenced by the circle of painters around Pieter Lastman – known unflatteringly as the Pre-Rembrandtists – he began painting grand mythologies and subjects from the Old Testament which demanded monumental and complex figure groups.

The two paintings of St John preaching are witness to his ability to handle dense crowds. The earlier (both are described in the catalogue as in the private collection of Richard Feigen) is an assured marriage of figures and landscape, but since it has been sold to the Metropolitan Museum it has not travelled to London. In the larger 1643 version, even greater attention is paid to the disposition of various groups and individual characters. There remains, however, the awkwardness of scale that had, in his earlier "Alexander before Diogenes", dwarfed certain figures to the height of the legs of the Emperor's horse.

Anatomical problems also plague the otherwise delightful late picture of a Rubensian nude Diana with her nymphs, the costumes and discarded hunting paraphernalia executed in brilliant enamel colours. Drawings, along with complementary works by Breenbergh's near contemporary in Rome, Cornelis van Poelenburgh, complete the survey.

This is a valuable show, but Breenbergh's evocations of the warm South leave this Northerner surprisingly cold. The exhibition continues at 6 Ryder Street, St James's, until December 20. Prof Marcel Roethlisberger, the acknowledged authority on Breenbergh, is responsible for the catalogue which uneasily combines serious scholarship with an embarrassing eulogy to Mr Feigen.

★

Both Elsheimer and Rubens feature in Colnaghi's winter exhibition of stock (14 Old Bond Street, W1, until December 13). The Frankfurt master's almost miniaturist oil on copper of St Jerome in the Wilderness is dated to around 1600, shortly after his arrival in Rome. He offers us a glimpse of Arcadia in the clearing beyond the saint's gloomy cavern. It is a typical, enchanted landscape where a stag stands before a forest pool and waterfall bordered by luxuriant, light-tipped trees. The Rubens is quintessentially Flemish rather than Italianate, a low-life subject of a ruddy boatman embracing a peasant woman and fixing her with an intense glare of sheer lust.

North and South contrast in two characteristically choice exhibitions at Hazlitt, Gooden & Fox, of 19th century French drawings and Italian Old Master drawings (38 Bury Street, St James's, until December 10 and December 12). The French drawings inaugurated the firm's new gallery in New York, at 125 East 62nd Street, in October, where the Italian show will open in January. It is probably the gallery's best Old Master drawings exhibition to date.

Venice frames the show, which opens with Carpaccio and ends with a flurry of seven sheets by G.B. and G.D. Tiepolo. It is a concentration of grand, highly finished drawings by the likes of Bandinelli, Parmigianino (three), Guercino and Piranesi – there are no inspired stumblings here. Their seriousness is tempered by more quirky, fantastical sheets by Stefano della Bella and Ligozzi, who is represented by a watercolour precisely inscribed as of a Greek married woman from Constantinople or Pera with a goat.

France and Italy is also the dual focus of Johannes Auersperg's first exhibition of European sculpture 1580-1850 which opens at Harari & Johns on Thursday. Its highlight is a recently rediscovered bozetto in terracotta by Clodion of "The Triumph of Psyche".

The Arts Council allocates its extra cash

Yesterday afternoon most of the larger arts organisations in the UK learned the good news – *the size of their Arts Council* grant for 1992-93. With an extra 13.9 per cent to spread around from the Arts Minister, making a grand total of £221.2m, the Council could afford to be generous.

Its biggest client, the Royal Opera House, which also takes in the Royal Ballet and Birmingham Royal Ballet, received a 6.5 per cent uplift, to £18.95m, below the average. But Covent Garden is currently subject to a Council appraisal and would hope to gain from this next year. The English National Opera is 9 per cent richer at £11.37m.

Among the drama companies the Royal National Theatre's problems with its building is recognised by a 10.6 per cent rise to £10.895m. The RSC gained just 5 per cent more, at £8.26m, but its touring budget was lifted by 10.1 per cent and it had been very generously treated during its cash crisis earlier in the year.

As anticipated, the London Philharmonic Orchestra got a massive rise, almost 130 per cent, to £1.06m, which should enable it to settle in smoothly as the South Bank's resident orchestra in the autumn of 1992. In contrast the RPO suffered a 12.9 per cent cut in grant, to £400,000. This reflects its policy of playing fewer concerts in London and then with a popular repertoire which reduces the need for subsidy.

Among the happiest faces should be those at London City Ballet which finally gets sizeable Arts Council money – £750,000 over the next three years; Gay Sweatshop, which has been taken back as a client with a £116,000 sweetener; the fashionable dance company DV8, whose grant jumped 162.5 per cent to £105,000; and the Young Vic which receives over 50 per cent more, at £473,000.

The mass of arts companies who are funded by Regional Arts Boards should share in the the largesse. The Boards will receive a minimum 13.9 per cent increase in their grants with three, Eastern, Southern, and South East, getting rises of 20 per cent.

Antony Thorncroft

Dr Jekyll and Mr Hyde

BARBICAN THEATRE

One can see why David Edgar was attracted by *The Strange Case of Dr Jekyll and Mr Hyde*. Written in 1885, Robert Louis Stevenson's story has a background of social squalor and hints at far more injustices than it actually portrays. Nominally set in London, the imprint is of Edinburgh. The trouble is, however, that it is not *Nicholas Nickleby*, which Edgar successfully adapted for the stage over a decade ago.

Stevenson's tale is short and tense. It contains no women, except as servants, and no children except for the girl who is run over by Hyde. It refers to all sorts of scientific and psychological theories: for example, the dualism between good and evil in the same character. The one thing that it does not do is to bang on.

So perhaps the best way of trying to appreciate the Edgar version is to put Stevenson out of your mind. I found that difficult, largely because the original story is such a masterpiece. Where Stevenson holds back, Edgar throws in everything: Faust several times over, Dorian Gray, even a hint of Jack the Ripper, quite apart from the background of Victorian inequality. "Odd," someone says in an effort to be topical, "that people should be sleeping under newspapers in Trafalgar Square when it's so close to Pall Mall".

The Faustian references are understandable since they are implicit in Stevenson: Jekyll and Hyde are a variant of Faustus and Mephistopheles. Edgar's approach to this is to have Jekyll and Hyde frequently talking together. (Not even the RSC has taken the risk of having one *actor* play both parts.)

The theatrical device used is a count-down while the potion which turns Jekyll into Hyde and back again begins to take effect. For a time both characters exist. The dialogue between them – about the pull between good and evil – is one of the *least successful parts* of the play. Yet the biggest weakness owes nothing at all to Stevenson. Edgar has tried to introduce a psychological explanation of his own. The good Jekyll's desire sometimes to be the evil Hyde is based on his childhood: as a small boy he was known as Teddy.

At times, he was very, very good and played the piano; the bad side came out in pulling his sister's hair. He had a complex about his father, whose portrait ends up being slashed.

What that means for the plot is the introduction of Jekyll's sister, nephew and niece. Not only do they add nothing to it; they tend to get in the way. Indeed the attempt to provide an explanation detracts from the story's chilling mystery. No-one is going to be kept awake at nights by this version. The tragedy of Jekyll destroying himself has gone out of it. By making the background bigger, Edgar has diminished the theme.

Simon Russell Beale was the obvious choice for Hyde: too obvious perhaps, for his stock trade is deformity. Roger Allam is Jekyll, but it is not the part it should be because the drama is lost by playing alongside Hyde. The production is by Peter Wood. The revolving sets designed by Carl Toms may stun you if you are not used to them: otherwise you may find them overdone.

Malcolm Rutherford

Simon Russell Beale and Roger Allam

PARIS THEATRE

Succès fou of unlikely partnerships

When *Peter Pan* was launched as a cartoon, a cynic remarked that "Walt Disney knows another great liar when he sees one". The same recognition surely governed Jerome Robbins' Broadway reworking of J.M.Barrie's play, in which the corny sweetness of the 1950s musical was grafted on to Barrie's cloying Edwardian sensibility. This heady brew is now revived at the Casino in Paris, where director Alain Marcel promises a further dimension: the show "adaptée au gout et à l'esprit français".

Marcel's *Peter Pan* is worth seeing for the delights of translation alone – Captain Crochet, le pays inconnu (neverland), Clochette (Tinker Bell) – but the core interest is that, despite Gallic onslaughts, *Peter Pan* remains powerfully, quintessentially, English. Sentiment is rekindled in glowing Edwardian colours: Wendy (Nathalie Lhermite) a secular Virgin Mother in ringlets, Peter (Fabienne Guyon) the heartless faun of nature.

Marcel's sets are masterpieces of Edwardian fantasy. For the first, a velvet-draped nursery, lacy cradles, softly-softly lights, gives on to the snow-covered roofs and chimneys of 1900s London. Doors open, children in white nightshirts fly out, over *Tower Bridge, across a star-spangled sky* to land – scene two – in an island paradise. Walking palms, jewelled crocodiles, swinging hammocks, "enfants perdus": the escape from sex and class into a dreamworld which was the English Eden. (How much so can be seen from Barrie's "adult" play of castaways' social role reversals, *The Admirable Crichton*, which preceded *Peter Pan* in 1902).

Here, the slangy smartness of Moose Charlap's 1950s score blends harmoniously into Barrie-speak. Bells chime into lullabies ("Tendre Berger"), triangles trill youth and optimism ("J'veux pas grandir"). There's cymbal-clashing swagger ("Ugh a Wug"), but this is *The Sound of Music school of musicals, not West Side Story*. Even the chorus "Je suis un coq", meant to snipe at father figures (Bernard Alane plays both Hook and Mr Darling), fails to challenge the smooth tenor of romance and dance rhythms.

Peter Davies, the real-life Peter Pan, called the play "that terrible masterpiece". But in the musical, the melancholy and malignity and cruelty that form the unnerving subtext to all Barrie's comedies are washed away in easy listening. Here, the anodyne effect is enhanced because Marcel's bid for innovation puts high tech trickery over psychology every time – Tinker Bell, for instance, is recast as a laser beam whose neon outline fizzles into the word "Merci" when we have all clapped it back to health. And yet the "pure" elements of his staging – the top hats and ragged urchins and shaggy dogs – realise *Peter Pan* exactly as the apotheosis of a tradition of anarchic innocence going back to Lear, Carroll and a crowd of Victorian *Treasure Islands* and *Secret Gardens*. Here Marcel's perception is flawless; his French worldliness – Captain Hook as a fin de siècle dandy, twirling moustache and smoothing down wig; Can-Can-kicking pirates a cross between the Folies Bergères and Cole Porter – offers period authenticity but remains the exotic icing on a solidly Anglo-Saxon cake. This production is a fascinating mêlée on the fantasy theme.

***Jackie Wullschlager** reviews 'Peter Pan' and Botho Strauss' 'Le Temps et la Chambre'*

The coup of this year's Paris Festival *was to secure for Paris a new and powerful partnership in European theatre*, that between the German dramatist Botho Strauss, the star translator Michel Vinaver and the darling of the French avant garde, director Patrice Chéreau. *Le Temps et la Chambre* at the Théâtre de l'Europe is Chéreau's first production for three years and triumphantly picks up the themes and motifs which occupied him in his last work for the Festival, Bernard-Marie Koltes' *Le Retour du Désert*. It also casts new light on Strauss, confirming the significance outside Germany of its most popular contemporary playwright.

Strauss plays images of everyday banality to their absurdist hilt, interleaving cult *and classical references to shock us into* an understanding of our world gone mad. In Germany, productions tend to emphasise satire against German consumerism and economic obsession: executives breaking solemnly into fights, juggling briefcases; the odd-man-out noisily expiring while a social rendez-vous continues in the same room. This production contains such scenes too, but Chéreau directs Strauss with the lightest touch I have seen, placing him in the international tradition of the absurd – Carroll, Beckett, Borges – where it is "la condition humaine", the intractability and meaninglessness of life whatever your social reality, that is the stuff of comedy.

Chéreau, for example, highlights a tableau in which a girl looks out of a window and screams that there will be an accident, crowds rush to look, an ambulance wails and finally the victim slides on the ice: a perfect reworking of the White Queen's "I haven't pricked it [her finger] yet, but I soon shall – oh, oh, oh!" What Chéreau has picked up here is Strauss's ability to place such essential imbecility in a world which pares down the clutter to a few quick pointers of the contemporary: a vision of our times distilled in miniature.

Richard Peduzzi's *set recalls* Hockney: two men looking straight at us from their armchairs in an almost bare blue room; as in Chéreau's "Le retour" windows, blinds, doors and, here, a classical column are the landmarks.

The men discuss a girl wearing a mini-skirt, in February, whom they see from the window; *she* appears in the room, demanding, why are they talking about her? Other strangers come and go; only the girl has a name. A chauffeur arrives bearing a placard "Marie Steuber", raging at her for failing to wait at the airport, ripping up the placard. The next scene, they arrive together, well met, laden with suitcases, placard intact, tentatively sniffing each other out.

Alternative realities play against one another as all the characters try to work out – who is Marie Steuber? We see her with different men, at dinner, at home, in the office, leaving, arriving, an imposter, a refugee. Conversation is riddled with non-sequitors, scenes are disjointed.

Chéreau directs his cast with the precision and clipped intensity of tightrope walkers. Each movement – a twitch, the lighting of a cigarette, a girl perching on an armchair – begins and ends momentously, drawing attention to its triviality. Music – "It's impossible", "Be my baby" – breaks in and out as abruptly, pinpointing themes: *the absurd, the fashioning of* others in our own image.

This sort of acting needs extraordinary control, and Anouk Grinberg as Marie leads a cast of "anonymes" who combine exagerated razzmatazz with innocent surprise and the icy coherence of nonsense logic. The result is a work of perfect unity, the whole bathed in a cold, translucent light like that flowing into Peduzzi's apartment, a surrealist statement about isolation, chaos and urban claustrophobia in contemporary language. It is alternately chilling, exhilarating and irritating, but it is drama which always demands a response.

INTERNATIONAL ARTS PREVIEW & EXHIBITIONS

Prague's historic Estates Theatre (Stavovské Divadlo) re-opens on Sunday with a new production of Don Giovanni, a work which received its world premiere in this same theatre in 1787. Known under the Communists as the Tyl, the Estates Theatre is where Mozart himself conducted Le nozze di Figaro in 1786. So it is good that the building - fresh from a laborious eight-year closure, during which it was gutted and reconstructed as faithfully as possible - can open its doors in time for the bicentenary of Mozart's death on December 5.

Sunday's performance is a gala evening for sponsors, government grandees and other invited guests. The first week of public performances (starting on Tuesday) is already sold out, but the production is due to have a long run.

The conductor for the opening performances is Sir Charles Mackerras, whose links with Prague date back to his studies with the great Czech conductor Vaclav Talich in the late 1940s. The stage director is David Radok, whose father Albert - one of the leading stage directors in Prague after the war - emigrated to Sweden after the Communist takeover in 1948.

The casts for Don Giovanni will alternate between international singers and a Czech ensemble. The Estates Theatre, which is run as a branch of the National Theatre, is reckoned to be better suited to spoken theatre than Prague's other main houses, and will host several drama productions later in December, including Chekhov's Uncle Vanya and Vaclav Havel's The Garden Party.

Under the direction of Michael Bogdanov, the Deutsches Schauspielhaus in Hamburg continues to play a pioneering role for English-language playwrights in Germany.

Having recently given the German premiere of Brian Friel's Dancing at Lughnasa, the Hamburg company now returns to Alan Ayckbourn: tomorrow's premiere is the 1974 black comedy Absent Friends, directed by Ulrike Maack in a translation by Gottfried and Inge Greiffenhagen.

On December 14, Bogdanov directs a new version of J.P. Donleavy's Ginger Man, in a production designed by Chris Dyer.

■ EXHIBITIONS GUIDE

BARCELONA

Fundacio Joan Miro Esther Rovira (b1968): Kitharisterios. An installation by a young Barcelona artist focusing on the turtle as symbol of individuality and integration in the environment. Ends Dec 15. Closed Mon

BERLIN

Martin-Gropius-Bau Hans Finsler (1891-1972): New Paths of Photography. A selection of Finsler's early work dating from the late 1920s and illustrating his architectural use of the photographic medium. Ends Jan 5. Closed Mon

Nationalgalerie Otto Dix: a major retrospective marking the centenary of one of the towering figures of 20th century German art, renowned for the bitter realism of his portraits, brothel scenes and visions of war. The exhibition brings together more than 350 paintings from public and private collections around the world. Ends Feb 4. Closed Mon and Tues

Pergamonmuseum Miniatures of the Berlin Baisonqur Manuscript: illuminated pages dating from 1420, commissioned by the family of the Afghan Prince Baisonqur, donated to the Berlin collection in 1925 and now re-united for the first time since the war. Ends Jan 19. Closed Mon and Tues

BORDEAUX

Musée des Beaux-Arts Trophies of the Hunt: more than 50 paintings from the 17th to the 19th centuries, illustrating how the hunt was used as a decorative and allegorical subject by artists of the great European schools. Ends Jan 21. Closed Tues

COLOGNE

Museum Ludwig Lyubov Popova: 122 paintings and works on paper by a leading figure of the early 20th century Russian avant-garde. Ends Dec 15. Closed Mon

DRESDEN

Albertinum Otto Dix: Dresden's rich collection of drawings ranging from 1912 to the postwar period, most of which was donated by the artist to his home city in 1969. This wide-ranging exhibition, marking the Dix centenary, includes more than 30 drawings from the First World War, portraits from the 1920s and sketches for the war triptychon in the Dresden Gemäldegalerie. Ends Feb 16. Closed Mon

THE HAGUE

Mauritshuis *Bredius, Rembrandt* and the Mauritshuis: an exhibition honouring Abraham Bredius (1855-1946), one of the Mauritshuis' greatest curators and a pioneering expert on Rembrandt. Bredius acquired 35 paintings for the museum, while donating a further 26 from his own collection in a legacy which included Rembrandt's Saul and David, the portrait of Homer and the Busts of Two Black Men. The exhibition also includes a sketchbook by the landscape artist Jan van Goyen (1596-1656), which has never before been on view to the public. Ends March 1. Closed Mon

LONDON

Tate Gallery Giorgio Morandi (1890-1964): 48 etchings by one of the great figures in modern Italian art. Ends Feb 9. Also Gerhard Richter (b1932): first major survey in Britain of one of Germany's most eminent living painters. Ends Jan 12. Also Anthony Caro (b1924): new and recent work by the British sculptor. Plus Turner's Rivers of Europe. Ends Jan 26. Daily

Royal Academy Katsushika Hokusai (1760-1849): sketches, paintings and 150 printed works by the most celebrated Japanese artist in the West. Ends Feb 9. Daily

Barbican Japan and Britain: an aesthetic dialogue 1850-1930, with works by Whistler, Mackintosh and others who contributed to the exchange of influences. Ends Jan 12. Daily

Hayward Gallery Toulouse-Lautrec: the most comprehensive exhibition of his work ever held in UK. Ends Jan *19. Daily*

National Gallery The Queen's Pictures. Ends Jan 19. Daily

MUNICH

Lenbachhaus Wilhelm Morgner (1891-1917): retrospective of paintings, drawings and prints by one of the youngest members of the expressionist movement before the First World War. Ends Jan 12. Closed Mon

NEW YORK

Whitney Museum of American Art Alexander Calder (1898-1976): more than 50 works by one of the most innovative and best loved of American sculptors, known for his mechanical ingenuity, practicality and humour. Ends Feb 2. Also Alexis Smith (b1949): a mid-career survey of the Californian artist who has re-invigorated American collage in the past 20 years. Ends March 1. Closed Mon

Metropolitan Museum of Art Stuart Davis (1894-1964): the first retrospective of the American modernist for more than 25 years. Ends Feb 16. Also a major Seurat exhibition and another devoted to his neo-impressionist followers. Ends Jan 12. Closed Mon

Museum of Modern Art Dislocations: large-scale installations created by seven artists, questioning familiar mental landmarks and mapping out previously unimagined spaces. Ends Jan 7. Closed Wed

PARIS

Louvre Three exhibitions of German art from the Gothic to the Renaissance, showing the homogeneity of sculptures, engravings and drawings of the period, all greatly influenced by Dürer. Hall Napoleon and Pavillon *de Flore. Ends Jan 20. Closed* Tues

Grand Palais From Watteau to David: 70 works from the school of 18th century painting, in which mythological themes offer a pretext for glorifying feminine nudity. Ends Jan 6. Closed Tues, late closing Wed

Grand Palais Géricault: retrospective marking the 200th anniversary of the artist's birth. Ends Jan 6. Closed Tues, late closing Wed

Grand Palais A Golden Age of Decorative Art: 350 works dating from 1814-1848. Ends Dec 30. Closed Tues, late closing Wed

Musée de l'Orangerie des Tulleries Derain: more than 60 works by one of the original Fauves, focusing on his early years. Ends Jan 20. Closed Tues

Musée d'Orsay Munch and France: the interaction between Munch and French art *resulting from* his visits to Paris between 1885 and 1908. Ends Jan 5. Closed Mon, late closing Thurs

STUTTGART

Staatsgalerie Anton Stankowski: photographs. An exhibition celebrating the German artist's 85th birthday, focusing on a little-known but no less original area of his work from the late 1920s and 1930s. Ends Jan 12. Closed Mon

VIENNA

Albertina Hilma Af Klint (1862-1944): retrospective of the Swedish abstract artist, with more than 70 paintings giving insight into religious and philosophical movements at the turn of the century. Ends Feb 2. Daily

Kunsthistorisches Museum The Ancient World on Greek Vases: *a selection of painted vases from* around 1000 BC, illustrating daily life, festivals and religious observance in ancient Greece. Ends Jan 19. Closed Mon

Künstlerhaus From Eisenstein to Tarkovsky: paintings and drawings by 11 film directors from Russia and Ukraine, showing how they used painting to express ideas which the Communists would have banned on film. Also From the Revolution to Perestroika: Soviet Art 1906-90 from the Ludwig Collection in Cologne. Ends Jan 6. Daily

WASHINGTON

National Gallery of Art Walker Evans: Subway Photographs and other recent acquisitions. Known for his classic documentation of American life during the Depression, Evans focused on the average person in an everyday setting, especially in the New York subway. Ends March 1. Also Albert Bierstadt: the most comprehensive collection of work ever assembled of the epic American landscape painter of the 19th century. Ends Feb 17. Also Circa 1492: Art in the Age of Exploration. Ends Jan 12. Daily

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Mr Brady's bad timing

THE ATTEMPT by the US Treasury secretary, Mr Nicholas Brady, to get the long-discussed reform of the US banking system enacted as part of the legislation to re-finance the deposit insurance system has failed and he is disgruntled.

"Congress failed to take the *opportunity to strengthen the* American financial system," he complained about the "pale shadow" of a Bill which was finally passed. His aide Robert Glauber, under-secretary of finance at the Treasury, went on to accuse Congress of hampering economic recovery. "The weakness in the banking system is making it difficult for banks to make loans and holding back the recovery."

These complaints are partly justified, but they are also more than a little disingenuous. The administration complains that banks have been denied an opportunity to raise their profits; but Congress, wrestling with recent disasters which still threaten costs of well *over $100bn in depositor* compensation, is vividly aware that profit opportunities are also loss opportunities.

The narrow bill which has been passed is at least largely unobjectionable; the broad bill which reached the floor of the House last month saddled dere*gulation with such a supervi*sory burden that the White House promised a veto.

Grudging mood

This grudging mood was entirely predictable after the savings and loan scandal – *itself the result of deregulation* without adequate supervision. What was equally predictable was that the securities and insurance industries, which have acute financial problems of their own, would protect their turf with one of the most intense lobbying drives ever experienced on *Capitol Hill*. The banks' securities and insurance activities remain tightly constrained. Given the judgment they have failed to display in their core activities, they can hardly be surprised.

The small regional banks have such an effective hold on their local Congressmen that they were able to get the House to block the Senate proposal for branching across State frontiers with little conspicuous effort.

This is a much more unfortunate casualty of Mr Brady's unlucky timing, because a wider geographical spread would lead to greater stability for the system; and as the OECD American survey argued earlier in the week, the regional banks can compete *effectively from their true* strength – an intimate knowledge of local business opportunities and risks. The banking reformers in Congress have promised to persist: this should be high on their agenda.

Unlimited insurance

It is also a great pity that in reforming the deposit insurance system, Congress failed to restrict its coverage. It is still possible for an individual to get more or less unlimited federal insurance by holding many deposits of less than $100,000. Depositors can go on in their carefree way, while prudence is left entirely to the banks and their supervisors. *Some argue that such insur*ance eliminates the concern of depositors about the lending policies of their banks and so eliminates an important source of discipline on the bankers. This argument is often overdone, since it is never easy for depositors to assess a bank's quality. All *the same, the elim*ination of all risk is overkill.

However, it would not be fair to blame Congress for its omissions without noting the real progress which has been made. Supervision is to be much tighter, with a stress on capital adequacy which the Basle *Committee must privately* applaud. Congress has called for risk-based deposit insurance, though the difficult details are left to the Federal Deposit Insurance Corporation. A combination of risk-based capital requirements and risk-based insurance will greatly reduce *the incentive for bank*ers to do silly things; and the restrictions on compensating uninsured depositors, though subject to an over-ride where the authorities certify that there is a systemic risk, should make it harder for error-prone banks to tap the inter-bank market. A period of sober banking should improve the chances of real reform next time – for in this endless saga, there is bound to be a next time, and a next after that.

Next week in Washington

THE CURRENT wrangling over the timing, venue and *procedures for the next stage* of Middle East peace negotiations is a poor response to the commitment of the international community in seeking to resolve this long-running and dangerous conflict. The initial conference in Madrid three weeks ago was a huge achievement. *Long-time enemies faced* each other across the table, sometimes bitterly, but for the first time all were apparently resolved to a peaceful search for a negotiated settlement.

Against such a background and with such formidable issues to be negotiated it is *wasteful of time, effort* and emotion to bicker over procedural detail, especially if the result is to raise more fundamental doubts about the commitment of one or more of the parties to the process.

The US, which through the unremitting efforts of Presi*dent George Bush and* Mr James Baker made Madrid possible, has issued invitations for December 4 in Washington for the next stage of bilateral talks. As co-sponsors of the process with the Soviet Union, the hosts have every right to expect a positive response. It is important to *maintain the* Madrid momentum, to get quickly to the face-to-face discussions of the substantive issues, and for the talks to be sited where experience shows that they have the best chance of success.

Critical work

President Jimmy Carter and Mr Cyrus Vance, his secretary of state, soon discovered that without active and direct US involvement the initiative launched by President Anwar *Sadat in November 1977 would* not have led to the peace treaty between Egypt and Israel that was signed in 1979. *The critical work was done not* by Egypt and Israel in bilateral talks, but by Mr Carter and Mr Vance shuttling between the two capitals and ultimately in intensive meetings held at Camp David where agreement was clinched. Where personal relations are strained the presence of an intermediary becomes critical.

This is more than ever likely to be the case with the present peace process, which involves far more players asking Israel to repeat the principle it *accepted 11 years ago of trad*ing Arab land occupied in 1967 in return for a comprehensive peace with its neighbours. Although in 1979 Mr Yitzhak Shamir, Israel's prime minister, did not support that treaty it has indisputably brought greater security and other ben*efits to his country*.

Devoted friend

It would be tactically inept of the Israeli government at this stage to appear to be dragging its feet over the peace process, especially for the reasons *it seems to be giving: fears that* the US is planning to dictate the agenda and US insensitivity over the manner in which the conference invitations were issued. There has been no more devoted friend to Israel than the US, financially and politically, and no-one more *tolerant of Israel's own highly* robust style of diplomacy. Repeated pleas from Washington for a freeze on the building of new Jewish settlements in the occupied Arab territories are still being met not just by a rejection in principle but by a far more provocative increase *in construction*.

Israel's government cannot be unaware of the irritation caused by such responses or that the US, most of the rest of the world, and a majority of Israelis do favour some exchange of land for peace. Of course efforts will rightly be made to persuade Mr Shamir, at home and abroad, to abandon his public refusal to hand back more land in return for peace. Of course it will appear to the Israeli government that by so doing the US and others are acting on behalf of Arab *interests. That is the nature of* negotiations, not a reason for avoiding them.

The Arab countries and the *Palestinians have, like Israel*, made concessions to get the negotiating process under way. They will doubtless face more US pressure to make further concessions in the weeks ahead. Arab intentions need to be as thoroughly tested as those of Israel. However, nothing that has been said or done since Madrid offers any justification for empty chairs around the Washington table next week.

David Dodwell on the growing row over support for UK exports

Chorus of complaint

Is the UK government deliberately setting out to put British exporters at a competitive disadvantage? To listen to the current *chorus* of complaints from industrialists in recent weeks about the inadequacies of government *support for exports, you would* think so.

The industrialists' concern centres on the Export Credits *Guarantee Department* (ECGD), the embattled official agency that insures exporters against the risk of non-payment. Anxiety has been mounting among the big British engineering and construction companies that export heavily to risky markets about the government's commitment to ECGD. Exporters have complained about the rising cost of credit insurance and the disruption caused by the sell-off to the private sector of the agency's short-term credit insurance arm, which takes *effect next Monday after a year* of fierce parliamentary debate.

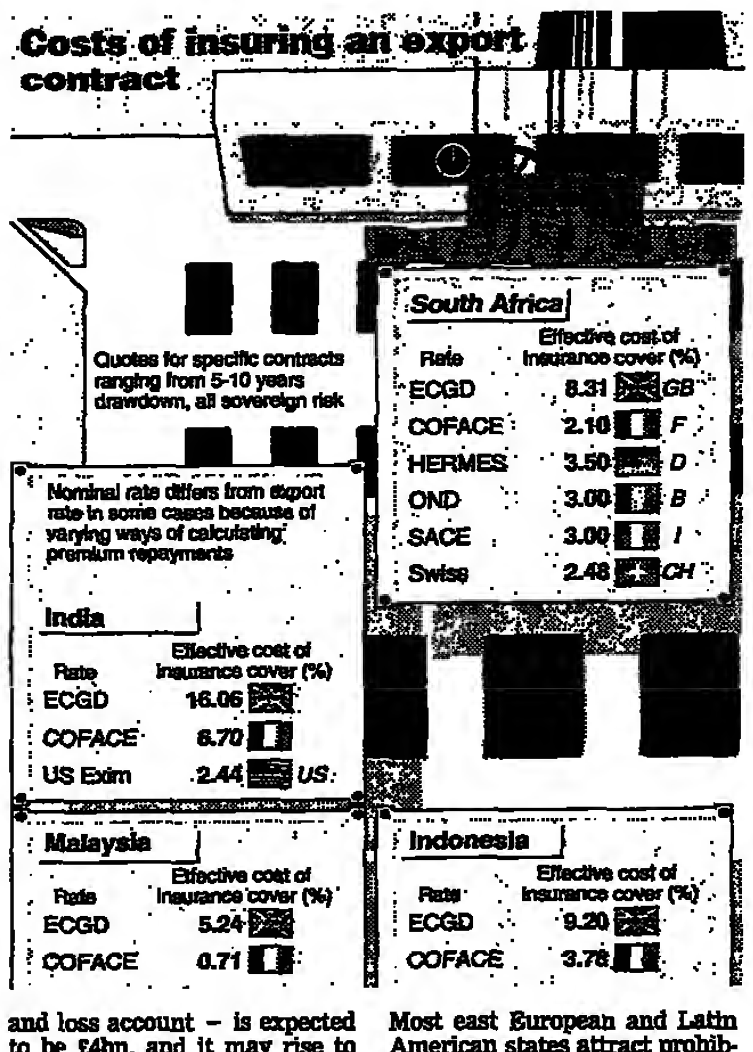
But the issue has been brought to a head by the sudden resignation earlier this month of Mr Malcolm Stephens, the department's chief executive for the past five years. Mr Stephens leaves this *weekend to become chairman* of the London Chamber of Commerce – a body that takes the lead in lobbying government for increased support for exporters. He has given no public explanation for his departure. But he has left no one in doubt that he is particularly disenchanted with official pressure on the ECGD to raise the insurance premiums it charges exporters. "Let me just say that I am resigning prematurely," he remarks pointedly.

The message has certainly not been lost on the business community. Mr Stephens's resignation is taken as a symptom of the growing conflict between "big industry" and government – in particular the Treasury – over the role it should play in support of a critically important segment of Britain's manufacturing exports, and over the costs of such operations.

It is a debate that could have an important influence on the future of companies involved *in big power engineering*, petrochemicals, railway equipment, aerospace and telecommunications contracts overseas, for which payment may not be complete until five or 10 years after work has started: such names as GEC, Rolls Royce, Trafalgar House, *Balfour Beatty, Babcock, and* Foster Wheeler.

"The evidence is overwhelming," says Mr Alan Gormley, managing director of John Brown, the construction company and Trafalgar House subsidiary. "There has been no period in recent history when there has been *such a consist*ent volume of complaint from industry. This can't be dismissed as whingeing."

What lies at the root of the current dispute is the increasing cost of insuring exporters on medium- to long-term contracts in risky markets. A torrent of defaults over the past 10 years on contract payments, particularly from countries in Latin America, has plunged ECGD deep into the red, forcing it to rely increasingly on financial support from the Treasury. By the end of this year, the agency's accumulated deficit on its consolidated account – effectively its profit and loss account – is expected to be £4bn, and it may rise to almost £6bn by the middle of the decade.



Top officials chafe at the rising subsidy bill, especially *since they say it is going to* subsidise only a relatively small proportion of British exports. "Treasury arithmetic shows us paying about £1bn in subsidy a year for about £1.5bn in exports," said one official. "It doesn't seem a very cost-effective use of taxpayers' *money*."

Earlier this year, ECGD responded to the pressure by introducing what it calls its Portfolio Management System, under which exporters pay insurance premiums on medium- and long-term contracts that more closely reflect *the commercial risks. As a* result, say exporters, the cost of insurance for contracts of more than two years has risen to between three and five times the premiums paid by competing companies on the continent or in the US, and jobs and contracts have been lost to the UK as exporters shift operations offshore.

Many third world markets are now out of bounds to British companies: not just the obviously risky places such as the Soviet Union or Iraq that are "off cover"; problem countries include include South Africa, Hong Kong, Malaysia, Indonesia, China and Mexico. Most east European and Latin American states attract prohibitive premium rates.

Exporters say they do not object in principle to being asked to pay more for insurance. What bothers them is that their competitors in other countries are not having to do the same. Thanks to what amount to heavy government subsidies to national credit agencies in Italy, France, Japan, Germany and even the US, companies there normally *pay 3 per cent less for their* insurance cover than in Britain – often as much as 8 per cent less.

"All we ask is to be able to offer the same credit deal," says Mr Derek Andrew, commercial director of Simon Carves, a cable-making subsid*iary of Simon Engineering*.

To be fair, the government has been pressing hard for other member states of the Organisation for Economic Co-operation and Development to adopt its stance on export credit premiums. As a result there have been moves towards achieving greater transparency on how rates differ; but progress towards harmonisation will be slow.

What so particularly angers industry – and almost certainly contributed to Malcolm Stephens's premature departure – is the government's policy of "unilateral disarmament": hiking credit premium rates while competitor agencies continue to subsidise them heavily.

"The right way of supporting our export trade through ECGD," says Lord Trefgarne, a former trade minister, "is not by raising ECGD premiums unilaterally by 200 to 300 per cent in some markets, but rather by multilateral agreement with the export credit insurers in other countries."

The underlying argument goes deeper than this. Influential voices in the Treasury still question whether ECGD should exist at all. They say that it makes no sense for British companies to sell goods that may never be paid for; that the competitiveness of British exports depends on many other factors beyond official financial support; and that some export *deals* simply amount to "bad business".

The purists see British contract exporters as chronically dependent on government subsidy. They point out that contract exports like turnkey petrochemical plants or construction projects account for only 2 per cent of *total* exports – about £2bn a year – and say that such business could be lost without long-term damage to the UK economy.

This line of argument attracts ridicule from industry and from those involved in export finance. At Midland Montagu, one of Britain's leading export finance houses, Mr Philip Hills insists that the £2bn in contract exports high*lighted by the Treasury* is "only the tip of the iceberg when one considers how much additional export business of a non-project nature follows on from the completion of show-case projects".

"Don't make the mistake of thinking this is just about big industry," *says Mr Gormley of* John Brown. "It's about tens of thousands of small-to-medium enterprises who support major project leaders."

The government, for its part, firmly denies that it has any intention of shutting ECGD down. "The zero option [of *abolishing the ECGD*] has been rejected," says Mr Tim Sainsbury, trade minister.

But industry still worries that ECGD may simply be allowed to wither for lack of support. And there are already signs that Britain may be losing contracts as a result of ECGD's tougher insurance terms. Davy, part of Trafalgar House with John Brown, this month won a £130m contract for an aluminium rolling mill in Egypt. But it will be Davy's French subsidiary, CLECIM, which signs the contract and carries out the work: "We were not in a position to bid for it from the UK because we didn't have access to a credit package," says Mr Gormley.

GEC Alsthom, the Anglo-French joint venture which recently bid for a multi-million-dollar railways contract in Venezuela, made its bid through the French side because of the financing package available through Coface, the French national export credit agency.

Lord Limerick, former chairman of the British Overseas Trade Board and Chairman of the British Invisibles Exports Council, sums up industry's exasperation: "The high moral ground of free trade and market forces is a splendid place to stand, so long as one does not starve in isolation."

OBSERVER

Financial whirlpool

■ One of the more precarious jobs currently around seems to be group finance director of one of the privatised water companies.

Just six months away from a general election and with the regulator constantly *threatening to change the* ground rules, water company finance directors are turning over at an alarming rate.

Yesterday Welsh Water added its name to the growing list of companies looking for a new finance chief. Northumbrian Water has been looking *for one since January when* Mike Murden quit as managing director, and Severn Trent has been without a finance director since Stuart Larnder left in mysterious circumstances a month ago.

Meanwhile, North West Water has only just found a *replacement for Archie Ram*say who has retired.

The vacancy at Welsh Water is particularly puzzling. It has *been created by the surprise* departure of David Jeffrey, the managing director, who many felt would eventually replace John Elfed Jones as chairman. Jeffrey is taking early retirement and being replaced by 44-year-old Graham Hawker, hence the vacancy for a new finance chief.

There were murmurings in the City that the changes might have been triggered by a boardroom row over Welsh Water's stake-building in South Wales Electricity. Whatever the reason, being a *finance director* of a newly-privatised water authority is no longer the cushy number it was once cracked up to be.

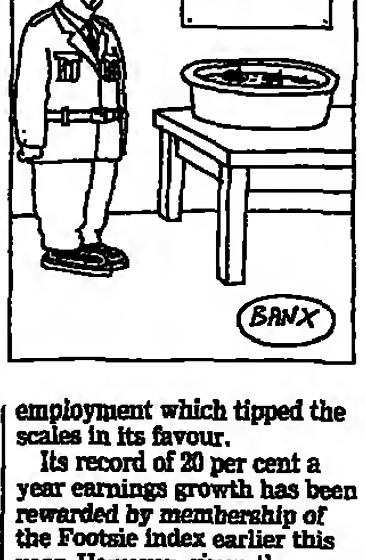
Sum dispute

■ The British Embassy's Berlin office has taken issue with the Treuhand's mathematics in an effort to dispel claims from the agency that UK companies are lagging well behind their European counterparts in the east German investment stakes.

Official Treuhand figures show 13 British companies taking over 23 east German entities – compared with the most active foreign investors, the French, who have produced 21 investors now involved with 42 companies.

However, the British mandarins have let it be known that, by their reckoning, 21 UK investors have secured 34 companies, nine of them through German subsidiaries. And a *staggering further 19* "sets of negotiations" were said to be under way with suitors eager to invest across the Elbe.

Birgit Breuel, the Treuhand president, who has been in London this week to bang the drum, explained that apparently the privatisation agency only counted "large companies".



Ex-rat-catcher

■ Clive Thompson, the 48-year-old-chief executive of Rentokil, has a problem. Everyone, from the Queen down, knows about Rentokil's skills in woodworm and pest control. These might have been its big strengths ten years ago, but now East Grinstead's best-known multinational is anxious to be seen as an environmentally-friendly glamour stock.

Yesterday, its dreams of ditching its rat-catcher image took a leap forward when it was named "Company of the Year". The award, sponsored by Barclays Bank, Henley – the Management College and *the Sunday Telegraph, is taken* seriously by big business.

For the second year running, Mercury Communications, Pentos and Wace were runners-up and established blue-chips like Glaxo and Guinness also made it into the final heat. But it was Rentokil's record in wealth creation and employment which tipped the scales in its favour.

Its record of 20 per cent a year earnings growth has been *rewarded by membership of* the Footsie index earlier this year. However, given the fickleness of environmental businesses, Observer is still not sure whether Rentokil has the staying power of earlier award winners, such as J Sainsbury, or will run into problems like Barratt Developments or Racal Electronics. Its shares, yielding just 1.2 per cent, suggest that it might be time to do some profit-taking.

Hot air man

■ Peter Sanguinetti, the ex-Rhodesian tobacco farmer who has been put in charge of refur*bishing British Gas's image*, is not shy of advertising his own skills. As director of communications at BAA, the privatised British *Airports* Authority, he leaves one in no doubt that he was the man responsible for BAA's success with lobbying the government and helping fend off the unwelcome attentions of ADT.

But at British Gas, where he will be director of public affairs, his ability to win *important friends and influ*ence people will be severely tested. An unloved monopoly with an inbred management team, British Gas is constantly being sniped at by its regulator, politicians and the City.

Sanguinetti is already sounding like a gasman, emphasising the fuel's cheapness, environmental friendliness, and the group's high quality service and safety record. With all these things going for it, one wonders why it has such an image problem.

False start

■ There's nothing like a good libel writ to improve the chances of success for a new book.

So the fact that there were no copies available of Bankrupt: the BCCI Fraud, at yesterday's launch party, was not a great surprise.

The TV cameras were out in force to capture authors Nick Kochan and Bob Whittington apologising for the last-minute withdrawal of the first of a likely stream of BCCI exposés. Apparently, Ghanem al-Mazroui, head of the department of private affairs of Abu Dhabi's Sheikk Zayed took exception to something in the tome.

However, the word from the FT's BCCI-watchers is that the book is a "detailed but plodding account" which fails to capture the colour of the world's biggest fraud. But then we would say that, wouldn't we, since the FT's own similarly-priced booklet is just about to go on sale.

Old flame

■ Alan Marsh, chairman of *Toyota (GB), at a London* lunch yesterday: "I've been told that the light at the end of the tunnel turned out to be Chancellor Norman Lamont with a torch."

A lease of lif for the trains

Richard Tomkins compares methods of financing railway

Mr Chris Green, managing director of British Rail's Network SouthEast, says some of his trains are so old that passengers will be able to poke their fingers through the bodywork before another year is out. Yet even after the big increase in BR's funding agreed in the latest public spending round, he does not have the money to replace them.

Simple, says Mr John Prescott, Labour's transport spokesman. If the government will not let BR have the money for new trains, why not let the private sector provide it instead?

While Mr Malcolm Rifkind, the transport secretary, speaks of long-term plans for the privatisation of BR, Mr Prescott says he would want to see private money going into the railways on the first day of a Labour government.

His plan is to open the door to leasing deals. Trains need not be bought outright by BR, *he says; instead*, some could be bought by financial institutions and leased by BR, so spreading the cost over 15 to 20 years.

The attraction of the plan is that it appears to give BR the means of getting round Treasury borrowing limits.

According to the Treasury, any form of buying now and paying later is simply borrowing by another name

At present, BR's borrowings are strictly controlled as part of the public sector borrowing requirement. Once the railway has reached its limit for the year, no further borrowing for investment is allowed, however great the potential returns may be.

Under the Prescott plan, BR could get the trains it needed without breaking the limit. Instead of needing to borrow, say, £100m up front for the purchase of a fleet of trains, BR would need only £5m to £10m a year to pay the lease instalments.

The Treasury opposes this idea. Any form of buying now and paying later is just borrowing by another name, it says, and must be treated as such.

*Fundamental to its argu*ment is the allocation of risk. Because no market exists for second-hand trains, the only kind of lease anybody would write for BR is one that made the corporation liable for the full value of the assets. As long as that is the case, the Treasury *insists* that the liability is recognised from the outset and counted as part of the public sector borrowing requirement.

Mr Rifkind's objections to the Prescott plan are similar to the Treasury's. The important issue, he says, is how much debt BR and the state can afford to service – not where it comes from.

Even so, why include obligations in the *public s* borrowing requirement i first place? Spending trading entity like BR, it be argued, *is not like spe* on education or social vices. Why not leave B take a commercial view *spending requirements?*

As Mr Prescott points governments of other pean countries recognis commercial nature of railways by giving th degree of financial lati SNCF, the French nat railway, finances its ca *spending with* domestic international bond issues leases all its TGV trains.

Yes, says Mr Rifkind look at the result. Most nental railways are char ised by massive indebte and a recurring need for sal write-offs at the taxpa expense. *SNCF itself has* had to have debts of FF (£4bn) written off to r viability.

BR, by comparison, ha needed a write-off since and its debts at the las ance sheet date were a tr £170m. As a result, say Rifkind, money that w otherwise have been dive to int charges indeed, repaym has been on impr services.

All thi not mean BR will lease a *The Tre* has said that if BR can f leasing plan that enables acquire trains more ch than by borrowing fro National Loans Fund, it i pared to have a look at i

As a result, BR is wo on plans to finance the a sition of at least some Channel tunnel freight passenger trains through vative cross-border le deals which save mon exploiting tax breaks ava in other countries.

What the Treasury is not prepared to conte however, is the use of deals to supplement p spending. In each case, t liability involved in the ing deal will be co against BR's borrowing from the outset, just as were buying the train right.

Whether this would c under Labour is a moot The fine print of Mr Pre plan shows that what Smith, the shadow chan has approved is not a free-for-all, but an expe tal deal involving a s tranche of Networke vehicles for the Kent routes. Mr Prescott m optimistic in supposin the responsibility of would do much to incre largesse.

Perilous prospect of going it alone

Chrystia Freeland examines the outlook for the Ukraine if it votes for independence on Sunday

Kravchuk: favourite to win

As they fill in their ballots this Sunday, the Ukraine's 37m eligible voters will probably be redrawing the map of Europe. If, as expected, the citizens of the second most powerful Soviet republic opt for independence the Soviet Union stands to lose its foundation stone: and a giant, with the population of Poland and Hungary combined, will appear on the east European stage.

Opinion polls suggest that at least 85 per cent of voters will endorse the Ukrainian parliament's August 24 declaration of independence. Such a result would be a powerful boost in the Ukraine's push for international recognition and would probably close the door on Ukrainian membership of a reconstituted Soviet Union.

Ukrainians will simultaneously choose their first democratically elected president. The favourite is Mr Leonid Kravchuk, the ex-Communist who chairs the Ukrainian parliament. Just two years ago, in his post as party ideologue, Mr Kravchuk was a severe critic of Ukrainian nationalism. But over the past 12 months, driven by a rising and increasingly militantly expressed nationalism, he has embraced the cause as his own. So, too, has the Ukrainian Communist party which, though banned, constitutes a network for many senior officials and industrial and economic managers.

Mr Kravchuk's main challenger, Mr Vlacheslav Chornovil, is cut from different cloth – as one of his campaign posters wittily underscores, by simply listing the biography of the two men. While Mr Kravchuk was climbing up the party ladder, Mr Chornovil, who originally worked as a journalist, spent 15 years being shunted between prisons and labour camps for his opposition to Brezhnev's Soviet Union and advocacy of greater Ukrainian sovereignty.

Despite such sharply contrasting experiences, both Mr Kravchuk and Mr Chornovil say they share a determination to build an independent Ukrainian state. Mr Mikhail Gorbachev, the Soviet president, has said he views this prospect as "a tragedy, a great tragedy, for the union". But for many Ukrainians, the concept of a central Soviet power is increasingly irrelevant. Asked whether the Ukraine is expecting Mr Gorbachev to recognise the outcome of the referendum vote, Mr Vitali Boiko, Ukrainian minister of justice and head of the election committee said: "The decisions of the centre already have no weight in the Ukraine."

Yet this is no Baltic state, with a separate historical and ethnic tradition. An agricultural and industrial powerhouse, the Slavic Ukraine was the cornerstone first of the Russian empire and later of its successor, the Soviet Union. The Ukraine's defection would reduce what was left of the union to a nation with a strong drag to the Asian east, losing a 52m strong Slavic counterweight to the burgeoning Moslem population of the central Asian republics, and with them its borders with the central/east European countries and main Black Sea ports.

But for Russia, Ukrainian independence would mean as much a spiritual as a material loss – the defection of a "younger brother" and of the cradle of their nation. Russian angst has expressed itself in the form of territorial claims on the Crimea, the sunny Black Sea peninsula only transferred from Russia to the Ukraine in 1954, and the eastern regions of the Ukraine.

The Ukraine borders on Poland, Hungary, Czechoslovakia and Romania, and all four say they are eager to welcome it into the ranks of small-to-medium-sized states reconstituting the Mittel Europa of the Austro-Hungarian empire. Asked whether Hungary would be the first to recognise Ukrainian independence, the Hungarian vice-consul replied: "I sincerely hope my country will have that honour." A founding member of the United Nations, the Ukraine is likely to be accepted as an independent state by the international community – if it shows it is able to match a declaration of independence with an awareness of its responsibilities as a nation state in a tense and economically prostrate area. To discharge these responsibilities, however, it must overcome some formidable challenges.

Economic reform is the most pressing concern. The reality is that Ukraine is joined to Russia, and will remain so after December 1. Price increases planned by Russia to take effect on January 1 will force other republics to liberalise their prices too, to stop Russian consumers buying up the subsidised goods from their shop shelves. However, since late summer Gosbank, the Soviet central bank, has been issuing the Ukraine with only 20 per cent of its cash requirements – the Ukraine claims for political reasons, Gosbank says for purely technical ones. The result is a shortage of roubles so acute that the Ukraine is physically unable to match Russian price rises, because it simply cannot put enough roubles into its citizens' pockets to pay the higher prices.

Instead, Ukrainian officials plan to toughen existing customs controls with Russia and to stiffen a coupon system which effectively restricts the purchase of food and consumer goods to the inhabitants of the Ukraine. Both measures could further the breakdown in trade with Russia, with both republics losing out. Already, Russian plants in the Urals are standing idle for lack of Ukrainian steel: and Ukrainian pits in the Donbass are closing because they cannot get Russian timber for pit props.

Ukrainian leaders pin their hopes for economic growth on the introduction of a separate currency – to be called either the hryvnia or, rather wishfully, the Ukrainian dollar. Ukrainians plan to use them as the first step in reforming the currency, reckoning that if they print their own money they can stop accelerating inflation, fuelled by the high-speed printing of steadily devaluing Soviet roubles.

The republic will still be left with long-term structural economic problems – chief among which are the rundown pits of the Donbass, one of the world's biggest coal basins; the vast defence plants, making weapons for a military which can no longer pay for them; and the dangerous nuclear power stations which nobody can afford to replace. Its agricultural produce is relatively plentiful but it has no oil: a change to world prices, threatened by Russia on its declaration of independence, would see the republic's terms of trade worsen.

This would mean, as the Ukraine's western advisers say, that an independent state would be a poor country, forced to continue to print money to stop plant closures and to maintain a state-run industrial restructuring programme if it is to survive.

The west is already distrustful of the Ukraine's military ambitions. Plans to build a 450,000-strong army (bigger than Germany's 370,000 standing army) were scaled down this week by Mr Kravchuk to 160,000 – but it still causes international concern because of the potential of a new army for finding an early *casus belli* in territorial disputes with its neighbours. The leadership tries to defuse worries that the break-up of the Soviet Union will lead to nuclear proliferation by pointing to a vote in parliament to dismantle all the nuclear weapons in the republic: but many western politicians fear the pledge will prove as fragile as a decision to ship them back to Russia.

But the larger, and quite separate, challenge an independent Ukraine will face is building a nation. Aside from a brief interlude in the 17th century and a few months in 1918, the Ukraine has not been a state for nearly 1,000 years. Not all Ukrainians think of themselves as *only* Ukrainian. The republic, which only came under Soviet rule after the second world war, hums with the nationalist fervour which propelled the Baltic republics to independence. But if the inhabitants of the Russified southern and eastern regions vote for independence, it may be out of a desire to escape the detested Moscow bureaucracy rather than to cleave to a newly-formed Ukraine.

Many regional leaders fear Kiev might become as oppressive as Moscow and are advocating the creation of a federal Ukrainian state, with power devolved constitutionally to the regions and away from the new governors in the republic's capital. The Crimea, with a majority of Russians, could make a bid to join Russia – – and if they do, any Russian president would be pressed to support a kith and kin whose four decades of separation from the motherland has never been accepted by it.

Thus even as it acts as the final catalyst in the dissolution of the Soviet Union, the Ukraine will be plunged into a drama of its own: a search for economic viability, internal cohesion, and a sense of itself as a nation. It will be liberating – but dangerous both for itself and its neighbours.

Joe Rogaly

Whiff of grapeshot

Mr John Major is a patient negotiator, an emollient committee chairman, a quick study of complicated papers, an affable chap, the quintessence of reason and decency. He is not a theatrical orator. Nor is he a master of the English language, a striking original thinker, or an assertive leader.

All of this was adumbrated when he became prime minister a year ago. What could not have been predicted was the agility with which he has been able to deploy his positive characteristics. When he came to office he was unknown outside Westminster and Whitehall. Today he is popular, widely trusted, and (usually) regarded as above the distasteful hurly-burly of political bickering.

That he has reached this position owes much to a deep emotional need to succeed. He knows that he has been, and on occasion still is, much derided for being an autodidact. He has been seen to be an apprentice in every ministerial job he has held in his short political career. Not unnaturally, he loathes being patronised. Today he is steward of the Conservative party, some of whose local luminaries treated him with disdain when he was learning his present trade on a soapbox in Brixton. All of this has made its mark. The thought of failure is unbearable.

He may nevertheless be fated to bear the actuality. His opponent, Mr Neil Kinnock, has enjoyed an eight-year apprenticeship as reconstructor of the Labour party. The public prefers the prime minister, but it is the leader of the opposition who knows from experience how to endure the shocks of an election campaign. When Mr Major took office the economic cycle was out of kilter with the political cycle. Nothing the government has done so far has yet begun to put this right. Against such a misfortune of timing, merely tactical considerations pale into insignificance.

Yet the game is not over. As someone might have said, six months is a long time in politics. An election need not be held until next July. Between November 1990 and July 1991 Mr Major demonstrated his ability to preside over a wartime cabinet, drew the sting of the poll tax, and affirmed his belief in nurturing the public sector. As he reminded the Commons during his anniversary question-time yesterday, he also promoted "safe havens" for the Iraqi Kurds. More to the point, he has kept his nerve in sticking within the ERM boundaries while reducing interest rates in small steps.

All of the above suggests that he is a competent manager, able to win the loyalty of his cabinet team and perhaps his party. None of it provides a conclusive response to the important question: what is he like under fire?

We may know the answer by today fortnight, when the Maastricht summit meeting should be over. During the approach to this potentially momentous event there has been a curious reversal of allegiances. Mrs Margaret Thatcher flirted with president Mitterrand of France. She could not abide the German chancellor, Mr Helmut Kohl, nor he her. Mr Major's relationship with Mr Kohl is warm; with Mr Mitterrand it is formal. The chancellor treats him as an equal; the president, due for lunch at Downing Street on Monday, is ever on the verge of patronising him.

The most damaging concessions are given away in the final half-hour of negotiations

The prime minister affects not to notice. He is at his most confident when referring to his abilities as a negotiator. He believes that he is good at it. If you accept the government line, Britain has begun to win points in advance of the summit. There will be an opt-out clause in the monetary union treaty, although its current form, exempting everyone and not Britain alone, is under growing challenge. The political deal will not put defence, foreign policy, or security into the hands of the European Commission or the European Court of Justice. The word "federal" is sure to go.

When Mr Major visited Mr Giulio Andreotti in Rome on Wednesday the Italian head of government seemed interested in a deal; the foreign minister, Mr Gianni de Michelis, appeared positively eager. Actual concessions, particularly on keeping immigration control out of the commission's hands, seem to have been offered by Mr Kohl on Wednesday night.

It could be that this momentum will be maintained. If so, a piece of paper may be produced at Maastricht that Mr Major can initial and present to parliament as consonant with the conditions he stipulated last week. That would be an easy triumph for the prime minister. The greater likelihood is that the friends he has made in Rome, Bonn and elsewhere will test his mettle. Both the governments he visited on Wednesday – Mr Andreotti's and Mr Kohl's – had studied transcripts of last week's European debate in parliament; both were as cognizant of the intricacies of British politics as anyone in London. They will therefore be aware of the current conventional wisdom, which is that the prime minister cannot afford to come home from Maastricht empty-handed.

If they really believe that they will squeeze him. Seasoned negotiators know that the most damaging concessions are given away in the final half-hour, and the most deadly of all between rising from the table and walking to the door. That is when Mr Major may really be put to the test. His strategy is based on the proposition that at the end of the day the other 11, most of whom are eager for agreement, will accept the lowest common denominator (that is, the British position) rather than an impasse.

I suspect that the French, the Germans and their Christian Democratic allies remain unconvinced that this new man, who has never before heard the sound of massed cannons firing, would have the nerve to reject what he would regard as unsatisfactory terms. All I can record at this stage is that he says he would.

LETTERS

Why Virgin is open Sunday

From Mr Richard Branson.

Sir, Your editorial (November 28) condemning those who opened shops on Sundays as "law-breakers" was very misleading.

Virgin Megastores now opens many of its stores on Sundays because we believe it is legal to do so. For some years now a group of retailers has fought the issue in the British courts. We argued that the validity of the 1950 Shops Act had been superseded by the free-trade provision in the superior 1972 Treaty of Rome. The lawyers of the vast number of local authorities throughout Britain concurred and have decided not to attempt any prosecutions. English courts have also made it clear that, should any local authority apply for injunctions against Sunday traders, it would have to pay substantial damages for lost receipts if – and I believe when – the European Court rules against it.

Where Virgin Megastores open on Sundays in Europe, it is always our second busiest day. As long as there is strong legislation to stop anybody being forced to work on a Sunday, the sooner retailers give the public choice, the better.

Richard Branson,
chairman,
Virgin Group of Companies,
120 Campden Hill Road,
London W8

Fax service

LETTERS may be faxed on 071-873 5938. They should be clearly typed and not hand-written. Please set fax machine for fine resolution.

Employment proposals should not be dismissed

From Mr Richard Price.

Sir, Your editorial, "Trade unions: a new agenda" (November 26), is too dismissive of the government's Green Paper, Industrial Relations in the 1990s. UK employers have welcomed the step-by-step reform of employment and trade union law since 1980. They have absolutely no doubt that it is right from time to time to take stock of the changing industrial relations scene and to consider whether further changes in the law have a contribution to make to enhancing UK competitiveness. This will be as true in the 1990s as it has been in the 1980s.

Green papers are consultative. Not all of their proposals will find support. Employers did indeed turn away from the legal enforceability of collective agreements. Although the objective of greater predictability in industrial relations is one that we wholeheartedly endorse, this is probably not the best way to secure it. It would also be a shade inconsistent to argue for legal enforceability of collective agreements at a national level and against it at the level of the EC (as we do). An alternative route might perhaps lie in making trade union immunities conditional on compliance with collective agreements. Although not a new suggestion it is worth considering. It has some fairly obvious disadvantages – but is emphatically not, as you suggest, unbalanced as between employers and unions. Employers have no immunities if they break agreements which are part of employees' contracts.

You rightly point out that legal enforceability of collective agreements is a feature of other EC countries, but this is as part of a very different and much more structured industrial relations framework. The law there not only confers collective rights but also places duties and responsibilities on the parties. However, the question at the moment is not really about legal structures; rather it is about the objectives of some of the measures contained in Mrs Papandreou's Social Action Programme, such as the draft directives on working time or on European works councils. Here there is no distinction to be drawn between the Community's various employer organisations: all reject the proposals. UK employers are right in the mainstream. Nor is the CBI sidelined on the question of participating in consultations at the Brussels level on these matters. Far from it. If the employer's voice was better heard through improved consultations there would be less danger of damaging directives like the working-time proposal making any headway.

Richard Price,
deputy director-general,
Confederation of British Industry,
103 New Oxford Street,
London WC1A 1DU

Problem faced by western exporters

From Mr Robert Scallon.

Sir, Looking at the extracts you published from the agreement between G7 and eight republics ("Moscow-G7 debt deferral deal", November 22) I would raise two points from the point of view of the western exporter:

a) "Payments on amounts which have not been deferred must be made punctually." Does this mean overdue amounts owed to western exporters will be cleared immediately?

b) "Maintenance of short-term credits will be requested from western export credit agencies." On the assumption that the agencies will continue to require an irrevocable letter of credit from Soviet buyers and that Vnesheconombank USSR will not be in a position to provide such letters of credit, it will be necessary for the agencies to announce their requirements from republican buyers supported by republican banks, especially those in the Russian Federation, Ukraine and Kazakhstan, which account for more than 85 per cent of Soviet foreign trade.

British exporters will find themselves at a disadvantage, if ECGD Cardiff does not establish its position quickly and other agencies begin to accept letters of credit from some republican banks, such as Vneshtorgbank of the RSFSR.

Robert Scallon,
28 Grange Road, London SW13

Intellectual property litigation

From Mrs E S Singleton.

Sir, Louise Kehoe, considering why US law suits over intellectual property rights are on the rise (Technology: Technically speaking, November 19) argues that litigation in the semiconductor field is increasing in the US through recession in the US semiconductor industry. Such increase may, however, also be attributable to increasing awareness, and enforceability, of semiconductor rights and, in particular, the creation of a *sui generis* right for semiconductor topographies.

An increasing trend to litigate over such rights is likely to occur in the European Community too. A 1987 EC directive required member states to provide intellectual property right protection for topography rights in semiconductors, the current UK legislation being set out in the Design Right (Semiconductor Topographies) Regulations 1989. As with other young subjects such as computer and biotechnology law, once it becomes established that legal rights exist and their scope is clarified, companies increasingly and rightfully enforce those rights. Such enforcement is a healthy indication of an open market, free from cartels.

E S Singleton,
Bristows Cooke & Carmael,
10 Lincoln's Inn Fields,
London WC2

Hitting CAP nail on the head

From Mr Maurice Healy.

Sir, Andrew Tyrie (Personal View, November 18) hit the nail on the head when he described what is wrong with the Common Agricultural Policy – "excess production, corruption, high food prices – all administered with Byzantine complexity and with little accountability". He was also right to say that it is government, not farmers, who are responsible for the mess.

So I was disappointed at what appears to be a defensive knee-jerk reaction by Mr Naish of the National Farmers' Union (Letters, November 20).

The McSharry proposals are not perfect, but at least they start the process of stopping farmers being sent the wrong signals about the food production we need.

It must be in farmers' long-term interests to produce the food that consumers need and not what bureaucrats decide. It must also be in the long-term interests of consumers and the food manufacturing industry to have available the widest range of food from the many countries around the world that want to sell to us. That is the way we should be moving, and it is the way our government should be leading.

Maurice Healy,
director,
National Consumer Council,
20 Grosvenor Gardens,
London SW1W 0DH

FINANCIAL TIMES
Friday November 29 1991

Economists hold on tight for festive news

Michael Prowse asks whether Christmas spending will bump start the US economy

IS the US economy stalled or seriously in danger of relapsing into recession? The answer may depend on consumer behaviour in the approach to Christmas, normally the strongest period for retailers. If demand falls sharply, companies may liquidate inventories and sack workers, sending the economy into another downward spiral.

Consumer confidence this month plunged to below both the trough reached during the Gulf War and the low point registered during the deep recession of the early 1980s. It certainly raises the risk of the feared "double dip" recession. Dismal car sales are also causing jitters as is an upward drift in weekly claims for unemployment insurance towards the 450,000 level that typically signals economic contraction.

But other data do not suggest *a free fall. Employment* and production were flat in October while consumer spending fell modestly. Monetary growth picked up a little. Housing starts rose, suggesting that the market may be stabilising after a fitful year.

Forecasters are nervous; but while most expect little - if any - growth before the spring, few *are yet willing to predict out*right contraction. This fragile consensus was reflected in hastily revised forecasts released by the Organisation *for Economic Co-operation and* Development this week. The Paris-based group expects growth of 1 to 2 per cent at an annual rate over the next two quarters, although officials concede another negative quarter is possible.

Recessions typically have a trigger, such as a jump in oil prices, a tightening of mone*tary policy or a war. Econo*mists are consoling themselves that no such shock has occurred in the past few months. On the contrary, in an effort to rekindle growth, the Federal Reserve has reduced the discount rate to 4.5 per cent, the lowest level in 18 years. Monetary policy is likely to be eased further if the economy continues to flounder.

"I suspect the situation is not as bad as the rhetoric from Washington suggests," says Mr *Norman Robertson, chief econ*omist at Mellon Bank in Pittsburgh. "My sense is that the recovery has stalled but we are not heading into another downturn."

The best way to understand recent events is in a longer perspective. The US economy has been sluggish for nearly three years. In real terms, per *capita disposable incomes have* not grown since 1988.

Growth has exceeded 1.7 per cent at an annual rate in only one quarter since Mr George *Bush was sworn in as presi*dent in January 1989. The prolonged stagnation reflects the need for economic restructuring after nearly a decade of debt-financed growth:

- Spending by consumers and companies is constrained by the rapid accumulation of debt in the 1980s. Many borrowers are now more interested in *paying down debt than in tak*ing out new loans.
- White collar service industries from finance to retailing became bloated in the Reagan years and are now trying to raise productivity by cutting costs and employment.
- Chronic overbuilding led to a slump in commercial – and to a lesser extent – residential *real estate that is undermining* confidence and threatening the viability of banks.
- State and local governments are cutting services and raising *taxes to balance budgets after* a decade of expansion. Federal government is trying to stabilise its huge budget deficit.
- Mr Laurence Kantor, an economist at J P Morgan, the New York investment bank, argues that the Gulf war produced a "mini business cycle" that temporarily obscured these longer-term trends.

If the "restructuring after the 1980s boom" thesis is correct, policymakers can do little to improve matters. Many economists argue that the best policy is to "do nothing"

The economy's recent loss of momentum thus reflects a return to the sluggish conditions prevailing before the *invasion of Kuwait. The surge* in consumer confidence following the war's end had to evaporate as longer-term – and mostly depressive – forces reasserted themselves.

On this view, provided the US does not talk itself into a crisis of confidence, the economy will just tread water until the excesses of the 1980s are *unwound. Expansion at an* annual rate of about 2.5 per cent - the long-run growth potential - will then resume.

If the "restructuring after the 1980s boom" thesis is correct, policymakers can do little to improve matters. Mr Rudolph Penner, a senior fellow at the Urban Institute, a Washington think-tank, and a *former director of the Congres*sional Budget Office, speaks for many economists when he argues that the best policy is to "do nothing."

The Fed has cut short term interest rates substantially. With the federal budget deficit likely to exceed $350bn in 1992, he says the case for cutting taxes is weak.

With both Republicans and Democrats in Congress baying for tax cuts, however, the political pressure on Mr Bush is intense. Critics are already likening him to Herbert Hoover, the Republican president who failed to rise to the challenge of the Great Depression in the *early 1930s.*

Yesterday, Mr Bush urged Congress to "lay-aside election year politics" and work with him on policies to revive the slumbering economy. This suggests he may be preparing to bend the rules of last year's bipartisan budget accord, which forbids a fiscal stimulus.

Given sharp disagreements *about who should* benefit *from* tax cuts, any package is likely to take months to negotiate and implement. It would thus have only a marginal impact on the economy before the presidential election.

But given the alarming drop in consumer confidence, who can blame Mr Bush for wanting to crank the economy's stalled engine? When Americans are "hurting" it looks better than lolling helplessly in the driver's seat.

US steps up supervision of overseas banks

By George Graham in Washington

THE operations of foreign banks in the US will be greatly affected by banking legislation passed by Congress on Wednesday. Even tighter rules are expected to come up for discussion next year.

Although the final bill eliminates *some of the provisions about which for*eign bankers were most concerned, it will greatly increase supervision of overseas banks in the US.

At the heart of the new regulations are the so-called "BCCI provisions" which have been drafted with the intention of blocking supervisory loopholes exploited by institutions such as the Bank of Credit and Commerce International or Banca Nazionale del Lavoro.

These provisions will greatly expand the Federal Reserve Board's authority over foreign banks in the US. Until now, these have been able to circum*vent federal regulators by setting up* operations in states such as Florida. The Fed will have the power to:

- Review the establishment of any branch, agency or commercial lending company by a foreign bank.
- Close foreign bank offices for violating the law or for unsound practices.
- *Supervise representative offices, as* well as full subsidiaries or branches.
- Approve any purchase of more than 5 per cent of the shares of a US bank by a foreign bank, even if it operates only a branch or agency in the US.

A measure directly targeted at BCCI – which is accused of covertly buying US banks by financing puppet investors – will require foreign banks to report any loan secured on 25 per cent or more of a US bank's shares.

Beyond the BCCI provisions, the new banking legislation could have other effects. Overseas banks wishing to take *deposits of less than $100,000 in their US* branches will be required to set up separate subsidiaries, which would need their own capital, rather than drawing on the capital of the group as a whole.

Branches which already take such retail deposits will be allowed to continue to do so. But legislators have *inserted a clause requiring the Trea*sury to study whether all foreign branches should be required to convert to subsidiaries – indicating that they regard this controversial measure as still on the legislative agenda.

One other measure requiring bank holding companies to inject new capital into a failing deposit-taking subsidiary is not specifically targeted at foreign banks, but could oblige many to re-examine the structure of US operations.

The measure could set up a large additional contingent liability which banks *in some countries would have to* disclose to shareholders. Congressmen are already planning to press again next year for legislation to compel foreign banks operating only branches in the US to set up full subsidiaries if they wish to take deposits.

In addition, legislators are planning *to revive measures* that would compel the US administration to apply tit-for-tat retaliation against countries restricting the access of foreign banks to their financial markets.

These measures, known as the Fair Trade in Financial Services Bill, have passed the Senate six times and the House once, though never at the same time. Supporters of the bill plan to block President Bush's likely veto by attaching the provisions next year to the renewal of the Defense Production Act which he will be forced to sign.

Editorial Comment, Page 18

Vance to seek deal on peace force

By Judy Dempsey in London and **Quentin Peel** in Bonn

FIGHTING died down in Croatia yesterday as Mr Cyrus Vance, the United Nations special envoy, prepared to return to Yugoslavia to begin a crucial round of negotiations *tomorrow.*

He will hold discussions with the leaders of Serbia, Croatia and the federal army with the aim of securing agreement on deploying peace-keeping troops in Yugoslavia.

His decision to return was made after a vote by the UN Security Council on Wednesday which paved the way for sending peace-keeping forces into Yugoslavia, provided the ceasefire holds.

The Croatian government *yesterday said it would* allow peace-keeping troops to be deployed in those areas where fighting is taking place. This *includes the Baranja region in* eastern Croatia, as well as the Serb-inhabited region of Knin, in southern Croatia.

However, Mr Mario Nobilo, an adviser to President Franjo Tudjman of Croatia, denied *reports that the troops would* be sent into territory forcibly seized by the Serb-dominated federal army and Serb irregu*lars. "We will safeguard those* borders of Croatia which existed before June 25 [when Croatia declared its independence]," he said.

Serbia has insisted that the peace-keeping UN troops be used as a buffer between Serbs and Croats in Croatia.

The eastern Croatian city of Osijek, which has been under *constant bombardment by the* Serb-dominated federal army, was reported quiet after 19 people were killed on Wednesday.

*However, in Zagreb, the Cro*atian capital, the federal army and the Croatian authorities were locked in a dispute over how blockades on army barracks were to be lifted.

Under the terms of the latest *ceasefire – the 14th since the* republics of Slovenia and Croatia declared independence, Croatia must lift its blockade *of all the federal army bar*racks, and the army must pull out of the republic.

If the ceasefire continues to hold, and if all sides agree to where the peace-keeping troops will be deployed, then Mr Vance will return to New York and the Security Council will vote on whether to send troops to Croatia.

Germany, *meanwhile,* remains determined to press for a European Community decision to recognise the independence *of Croatia and Slo*venia before Christmas, and Italy will support the move, Chancellor Helmut Kohl and prime minister Giulio Andreotti agreed yesterday.

Neither committed himself *flatly to recognition, in spite of* numerous German press reports suggesting that they did. However, Mr Kohl insisted that "a decision must be taken", and made clear he favoured outright recognition.

He is under great domestic political pressure to grant recognition to the two breakaway Yugoslav republics, not least because of the presence of 700,000 Yugoslav citizens, two-thirds of them from Croatia, as migrant workers in Germany.

Mr Andreotti declared that "the republics of Croatia and Slovenia have a right to recognition. It is essential that we *should act now."*

German inflation

Continued from Page 1

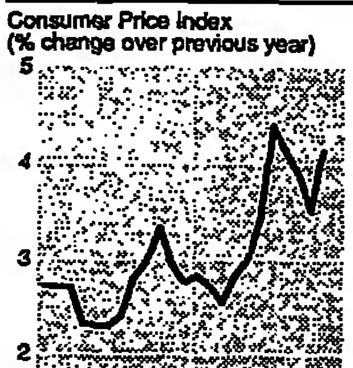
step up its recent campaign of disruptive stoppages.

The employers said they had not made a more substantive proposal because they did not want to influence the outcome of other negotiations.

Banking unions, asking for a *10.5 per cent pay rise similar to* that demanded by the steel workers, dismissed the employers' first offer of 3.8 per cent as "laughable". Negotiators representing catering staff, meanwhile, decided at a meeting in Hamburg to put in a claim for 9 per cent and a 35-hour week.

Germany

Consumer Price Index
(% change over previous year)



Source: Datastream

While *tempers are rising,* there are signs that continuous warnings from all sides of the dangers of a pay-and-prices spiral are starting to have an effect on workers' representatives and their political allies.

"There *is no doubt that the* economy is in a critical phase," Mr Wolfgang Roth, economics spokesman of the opposition SPD, said in the budget debate. "Sensitivity and the will to reach a consensus are needed on all sides." Excessive settlements were just as wrong as offers which did not maintain real purchasing power.

The most crucial negotiations, involving IG Metall officials representing the 3m-plus *workers in the mechanical* engineering sector, are not due to start until early next year.

Overtime

Continued from Page 1

fear of damaging promotion prospects.

A *karoshi* monitoring group claims that 10,000 deaths a year result from overwork.

The Ministry of Labour has only recognised *karoshi* since 1988. It recorded 110 cases in 1989. Lawyers say the ministry's definition is very narrow.

At an inaugural meeting this month of a group of bereaved families, one widow claimed her husband died of a heart attack last year after working for four years at an average of 370 hours a month *(4,440 hours a year)* and not taking holidays.

In a government opinion poll published earlier this month, three out of five respondents said they wanted shorter working hours.

While the government has a target of cutting working time to 1,800 hours a year, shortages of labour have discouraged employers from implementing the reduction.

Israel isolated over demand for delay in peace process

By Hugh Carnegy in Jerusalem

ISRAEL was isolated in the Middle East peace process yesterday as Syria and the Palestinians confirmed their acceptance of a US invitation to resume negotiations in Washington next Wednesday. Israel has demanded that the talks be postponed until December 9.

Moving quickly to take advantage of Israel's latest dispute with Washington, Syria announced it would attend next week's talks. "The Syrian *delegation will be ready for* bilateral talks on December 4, whether the Israeli delegation attends or does not attend," a foreign ministry official said.

Mr Faisal al-Husseini, the leader of the Palestinian team *from the occupied territories,* confirmed in Jerusalem that their representatives, who are part of a joint Jordanian-Palestinian delegation, would also attend. Jordan and Lebanon had already accepted. The unanimous Arab position and the US refusal to change the arrangements for the talks meant Israel choosing between withdrawing its demand for a delay or being left as the only party reluctant to continue the process started last month at the Middle East peace conference in Madrid.

Israeli spokesmen repeated yesterday that the government had no plans to attend the *talks next week* and needed more time to prepare for the three sets of bilateral negotiations. Israel also insists that the Washington sessions be limited to just one or two meetings, before shifting the talks *closer to the region. It has* proposed Cyprus as a site for future negotiations.

Mr Yossi Ben Aharon, director-general of the prime minister's office and one of Mr Yitzhak Shamir's closest advisers, said Israel also wanted the three sets of talks staggered at five-day intervals so they would not take on the character of an international forum.

In an interview with the Financial Times, Mr Ben Aharon criticised the US "fait accompli" in calling next week's talks. He said this broke US undertakings to consult with Israel "on every step of the process".

"We don't believe the Americans invested enough effort in persuading the Arabs that if they want to negotiate they need to do so in the region. There is a need for more effort," Mr Ben Aharon said. *He said moving to Cyprus* would ease the difficult logistics involved in the talks.

Israel loses first round, Page 8
Editorial Comment, Page 18

WORLDWIDE WEATHER

		°C	°F
Ajaccio	S	17	63
Algiers	S	21	70
Amsterdam	Fg	5	41
Athens	C	12	54
Bahrain	S	23	73
Bangkok	C	33	91
Barcelona	C	15	59
Beirut	R	16	61
Belfast	S	8	46
Belgrade	C	9	48

		°C	°F
Berlin	S	7	45
Biarritz	S	17	63
Bombay	S	31	88
Bordeaux	S	13	55
Boulogne	C	6	43
Brussels	S	11	52
Budapest	C	6	43
Buenos Aires	C	26	79
Cairo	F	21	70
Cape Town	S	21	70

		°C	°F
Caracas	C	28	82
Casablanca	F	18	64
Chicago	Sl	1	34
Cologne	S	6	43
Copenhagen	F	6	43
Corfu	S	16	61
Dallas	C	19	66
Dublin	S	10	[illegible]
Dubrovnik	-	-	-
Edinburgh	S	9	48

		°C	°F
Faro	F	16	61
Florence	S	8	46
Frankfurt	Fg	1	34
Geneva	Fg	3	37
Gibraltar	C	16	61
Glasgow	F	8	46
Helsinki	C	6	43
Hong Kong	S	20	68
Innsbruck	S	6	43
Inverness	F	7	45

		°C	°F
Islamabad	F	21	70
Istanbul	Dr	8	46
Jakarta	R	31	88
Jersey	Fg	9	48
Johannesburg	F	23	73
Lima	C	22	72
Lisbon	S	13	55
London	C	12	54
Los Angeles	S	13	55
Luxembourg	Fg	2	36

		°C	°F
Madeira	F	19	66
Madrid	F	8	46
Majorca	C	[illegible]	[illegible]
Malaga	F	18	64
Malta	F	18	64
Manchester	C	10	50
Manila	C	31	88
Melbourne	S	17	63
Mexico City	C	21	70
Miami	C	23	73

		°C	°F
Milan	S	7	45
Montreal	F	2	36
Moscow	Dr	2	36
Munich	S	4	39
Nairobi	F	24	75
Naples	S	15	59
Nassau	C	27	81
New Delhi	S	22	72
New York	S	4	39
Nice	S	15	59

		°C	°F
Nicosia	F	18	64
Oporto	S	15	59
Oslo	Dr	7	45
Paris	F	5	41
Peking	Fg	-1	30
Prague	C	3	37
Reykjavik	Sl	3	37
Rhodes	S	17	63
Rio de Janeiro	C	29	84
Rome	S	13	55

		°C	°F
Salzburg	S	4	39
San Francisco	S	12	54
Seoul	S	11	52
Singapore	F	29	84
Stockholm	C	6	43
Strasbourg	Fg	1	34
Sydney	C	20	68
Taipei	C	24	75
Tangier	S	19	66
Tel Aviv	F	21	70

		°C	°F
Tenerife	Dr	21	70
Tokyo	R	11	52
Toronto	F	2	36
Tunis	F	19	66
Valencia	F	16	61
Venice	Fg	6	43
Vienna	C	5	41
Warsaw	C	4	39
Washington	C	3	37
Zurich	Fg	1	34

Temperatures at midday yesterday C–Cloudy Dr–Drizzle F–Fair Fg–Fog H–Hail R–Rain S–Sunny Sl–Sleet Sn–Snow T–Thunder

THE LEX COLUMN

Property's empty promise

FT-SE Index: 2,428.6 (-18.9)

MEPC's policy of not identifying individual projects saved further blushes yesterday over its Alban Gate development on London Wall. But the figure which stands out from its full year results is not so much the 23 per cent fall in overall net assets as the halving of capital commitments. This will serve as a grim reminder to contractors and *their shareholders that it will* be several years, possibly a decade, before cranes again clutter the London skyline. With property companies like MEPC conspicuously pulling in their development horns, Channel Tunnel work drawing to a close and an election looming which might bring in a Labour government more com*mitted to health and education* than to infrastructure spending, the medium-term outlook for the construction sector is *distinctly bleak.*

MEPC's is hardly exciting either. Granted, voids are low and there is still some reversionary potential in the portfolio. But the company's relatively cheery interpretation of the profit and loss account should be treated with care. The supply of trading property profits, for example, is not *inexhaustible. And the policy* of capitalising interest on investment properties – legitimate if increasingly unfashionable – effectively transfers future profits into earlier years.

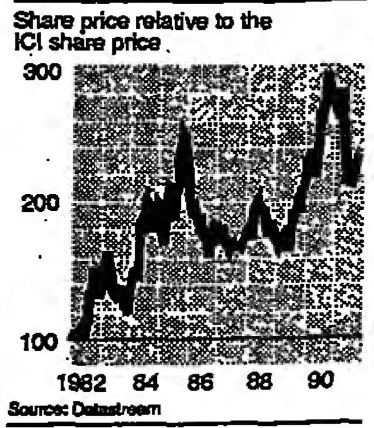
Judging by the 25 per cent discount at which the shares trade to net asset value – more if the final dividend is knocked off – the market is not convinced that bottom has been touched. Rents in central London have further to fall, *and in a low growth economy* yields may be kept high by the competing appeal of bonds. A Labour government was good news for property in the 1970s; but the market would scarcely welcome a repeat combination of an overheating economy, strong institutional cash flow and restriction on overseas investment.

Markets

Without wishing to be chartist about it, there is rather an ugly trend developing in the London equity market. In the months immediately after the Gulf war, the FT-SE moved in a range between 2430 and 2550. It then moved up a notch, with 2550 as the floor. It is now back under 2430 again. As a result, it is displaying all the old-style buy signals, such as a market *yield over 5 per cent and a* yield ratio below two. But putting cash into the market this close to the year end, with Wall Street and sterling still looking shaky, takes considerable nerve. And *while it might* seem attractive to point out that eight of the 100 stocks in the FT-SE now yield more than gilts, there is less appeal in the stocks themselves, ranging as they do from British Steel and Trafalgar House to Maxwell Communication.

Laporte

Share price relative to the ICI share price



Source: Datastream

Interox

The amicable unscrambling of the Interox partnership between Laporte of the UK and Solvay of Belgium is a reminder that cross-border joint ventures are neither new nor invariably a bad thing. In the 20 years that the two companies have shared Interox between them, it has established itself as the world leader in hydrogen peroxide and built up an implied value, according to yesterday's deal, of £500m. *Over the period, the character* of the two parents has diverged: Laporte towards speciality chemicals, Solvay towards commodities. Since Interox contains both, the carve-up looks painless.

In financial terms, the deal is agreeably rough and ready. Last year, a third of Laporte's profit came from its half share *in Interox. But since Interox is* growing less rapidly than the rest of Laporte, the stake is taken to be worth only a quar*ter of Laporte's £1bn market* value. As it happens, Solvay owns 25 per cent of Laporte; so since it is taking two thirds of Interox on the break-up, two thirds of its Laporte stake will be cancelled and the rest placed in the market.

In strategic terms, the deal is hard to fault. At times in the past, Laporte was in the *embarrassing position – like* Rank Organisation with Rank Xerox, or Cookson with ...
...ide – of struggling to pr...
the same growth from its ...
aged businesses as fro...
passive shareholding in a ...
venture. As recently as ...
Interox made up more ...
half group profit. Since ...
Laporte's speciality busin...
have pulled *ahead as In...*
has been held back b...
cycle. Laporte's succes...
switching from commodit...
specialities is in melan...
contrast to ICI, whose sha...
has outperformed by near...
per cent in the past deca...

Ultramar

Given its poor cards, ...
mar has played a surpris...
canny hand against La...
hostile bid. Yesterday's ...
defence document was ...
more disappointing for it...
tion. A radical plan to bre...
the company would have ...
far more troubling to th...
der. But Ultramar wan...
keep its integrated str...
and has valued *its ups...*
assets alone at 439p per ...
compared with an offer ...
worth 287p.

One could argue that ...
mar has missed a vital tr...
not putting a price tag ...
refining and marketing ...
thus allowing Lasmo to r...
equally vague about w...
thinks it could get for ...
Both companies agree o...
urgent need to reduce ...
mar's gearing. Lasmo ...
try to sell the downs...
assets and create a pure ...
ration group. Ultramar p...
to sell peripheral asset...
one-third of its interest ...
mature Indonesian gas ...
While there is still ple...
interest in gas assets, th...
arguably no market for r...
ies at all. Lasmo coul...
itself warehousing an ...
sive asset it does not wa...
market it does not under...
There must be easier w...
release shareholder valu...

That said, investors in ...
mar are unlikely to be p...
larly sanguine about the ...
for their shares if the co...
retains its independen...
promises a maintained ...
dend this year and ...
uncertainty thereafter. I...
ticular, it has admitte...
extent of its vulnerabil...
weak economic recovery ...
US. If the bid fails, Ultr...
shares would have to ...
270p to offer the same p...
tive yield as Shell's. It ...
be hard to justify a yie...
lower. The odds conti...
suggest that Lasmo wil...
the bid a little and pray t...
counter-bidder pops up ...
cash offer.

RECRUITMENT

JOBS: Academic research unexpectedly supplies pointers to success at public speaking

How to win ears and influence people

THE buzz of conversation dies as the man of the hour gets up on the platform. You and your colleagues on one side of the hall glance edgily at the strangers seated across the gangway. Their department and yours are involved in a big new project. Their boss will head the joint effort. He is about to reveal how he means to run it.

Even if you readers haven't had to make speeches in such a setting, you will no doubt have heard some. So you'll know how much depends on the impression that is left on the audience. Let's return, then, to the head of the joint venture who is now in the act of speaking.

Clearly and concisely he spells out what is expected. But the final point he wants to make is that the task cannot be done unless the two sets of strangers work in harness. So, swivelling his gaze from one side of the hall to the other, he finishes his speech with:

"Our two departments will have to work as a *team* in order to meet this objective."

Not bad, eh? I'm sure many readers will have heard worse attempts by managers at putting over the same sort of message. But how much sharper the impression would have been if, instead, the speaker had signed off with:

"So how are we going to do it?

"*We* can't handle it on our own.

"*You* can't handle it on your own.

"But *together*, I know we can make it a real winner."

What a difference in impact! And do you know all that's needed to make it? Only a bit of rhetorical formatting – or so the Jobs column is told, at least, by Max Atkinson. He can teach you how to do it in just a few hours, he says

Nor does he merely say it, having proved his claim on the telly before the British nation. In 1984, when he was an Oxford academic, Granada's World in Action programme introduced him to London housewife Ann Brennan who had never made a public speech in her life, and challenged him to turn her into an orator in time for that year's Social Democratic party conference.

She stole the show, sparking such frequent and lengthy laughter and applause that she was only two thirds of the way through her text when time ran out on her. Even so, the delegates gave her a standing ovation. She was the only speaker from the floor, as distinct from the official platform, to win one.

The odd thing about rhetorical formatting is not so much that it works, as that it was discovered solely by "pure" academic research. If you bully Dr Atkinson into disclosing his profession, he'll confess he is an ethno-methodologist: a species of sociologist who studies the everyday uses of language. And he did so purely in the pursuit of scholarly knowledge, without any practical pay-off in mind.

Then analyses of recordings of political speeches turned up an arresting fact. The outbreaks of applause and laughter from the floor were linked with the speaker's use of particular patterns of words.

The most reliable cheer-winning format, for instance, proved to be the *contrast*. A good illustration of it is Arthur Scargill's phrase at the time of the Falklands conflict: "There's something criminally insane about a government that puts *war*... before *peace*.

Other formats also emerged from the analyses as having a similar, if less sure-fire effect. One is the *three-part list* which evidently works in other languages besides English, as witness the enthusiasm that greeted the original German version of Hitler's: "Before us lies Germany.... In us marches Germany.... And after us comes Germany."

A third cheer-winner is the *puzzle–solution* format, consisting of saying something that sets the audience wondering what you are on about, then giving the solution. Although the puzzle can be expressed as a straightforward question, it does not need to be. Take for instance Ronald Reagan's first words before the TV news cameras when he emerged from relative obscurity to announce his presidential candidacy a dozen years ago:

"This is a moment for quite some mixed emotions for me," he began, before adding: "I haven't been on prime-time television for quite a while." True, it wasn't an epoch-making pronouncement. But it won him a lot of hearts.

There are further formats too, such as *position-taking*. It consists of raising a topic on which your audience will expect you to have strong views, then spelling out what those views are. My favourite specimen is Tom Lehrer's: "As we all know, there are some members of our community who obviously do not love their fellow men... I *hate* people like that!"

But Max Atkinson believes that all speakers really need as an ear-catching package for their messages is just the first trio of formats – *contrast, three-part list,* and *puzzle–solution* – especially as they can be used in combination. (The packaging of the work-as-a-team message cited earlier, for example, is a blend of all three.)

That is not to say he thinks rhetorical formatting alone is enough to ensure success. The best packaging in the world, he says, will not save speeches from the common fault of over-compression.

It is futile to try to put over orally anywhere near as much information as could be given in the same number of written words, with the result that the speaker has to rattle on continuously to avoid running long over time. Yet many people make that attempt, often worsening the error by flashing up charts and the like on a screen, expecting the audience to read them while still listening.

The root of the trouble is that people suppose that when they give a speech, they'll be listened to more keenly than they would be if just chatting informally. The truth is the other way round.

Another thing which the ethno-methodologists have found is that people are most attentive to others' words in conversations, where they know that at any second they may be expected to respond intelligently to what's being said to them. When a speaker gets up, guaranteeing them respite from saying anything for the next half hour or so, their attention-level tends to drop even if they have paid to go and listen.

The remedy is to spell out the message slowly and at a leisurely place, leaving pauses... between phrases.. not just between whole sentences... like that. Such gaps can keep prompting the audience to attend, Dr Atkinson explains, so substituting for the missing need to reply to the pundit on the platform.

But what if there is no platform – when you're addressing not a public meeting, but a small group of customers or whatever?

The same lessons still apply, he says, apart from obvious changes such as speaking less loudly. And he has proved that, too, with the short courses he runs for sales staff and so on. Demand for them has grown to such an extent that, not long ago, he stopped being an Oxford don and gave his full time to his Atkinson Communications consultancy in nearby Banbury.

"If you want a model of oratory that works as well in small rooms as in stadiums, think again of Ronald Reagan: not just his voice, but the smile and easy gestures.

"I'm not for rehearsed gestures. What I tell people is to get the text right, in both packaging and tempo, then act naturally – unless they habitually pick their nose or something. In that case, they do better to speak with hands in pockets"

For all Max Atkinson's concern with small-scale oratory, however, his main interest still seems to be in the big occasion: the speech that makes a real difference to events. How good he is at tutoring on that scale will be tested by Britain's next election – he is speech adviser to the Liberal Democrats' leader Paddy Ashdown.

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ACCOUNTANCY COLUMN

Market value approach gains more support

Kate Atchley reports on a conference in Washington which lobbied for a change in the standard

THE Securities and Exchange Commission, the regulator of the US securities industry, has just instigated a wide-ranging attack on the credibility of historical cost accounting.

The SEC's chairman, Mr Richard Breeden, was host to high-level accountants, preparers of accounts, academics, standard-setters and regulators at a recent conference on Moving Toward Market Value Accounting in Washington, DC. It appeared that all of the more than 200 who attended were in favour of its adoption.

Mr Breeden has made no secret of his concern about the declining relevance of the US accounting rules, the Generally Accepted Accounting Principles or GAAP, which are based on historical cost accounting. His concern has been heightened by the crisis among financial institutions and was shared by US controller general, Mr Charles Bowsher.

Mr Bowsher said that GAAP had failed to reveal large unrealised losses in mortgage portfolios until after many savings and loans institutions were insolvent. The S&L crashes would end up costing the nation some $300bn (£169bn), a sum equivalent to the annual defence budget.

Meanwhile, $7bn had "melted off the balance sheets" of banks rescued by the government, suggesting their asset values had been overstated. "We have got to come up with accounting standards and principles that actually reflect what those debts and assets are worth," Mr Bowsher said.

Mr Breeden said when testifying to a Senate Committee in September 1990 that serious consideration should be given to reporting the market value of all investment securities held as assets by financial institutions, and that greater use should be made of market value accounting to reflect risk management activities.

The Financial Accounting Standards Board (FASB), to which the SEC delegates the authority to develop standards, was conscripted earlier this year to address the first of these issues and draft standard is due early in 1992.

Mr George Diacont, acting chief accountant at the SEC, echoed the views of his audience when he said: "It is not enough that financial statements are accurate. They must be relevant and reflect current economic reality". Many speakers referred to the traditional dilemma: do we want historical cost accounts which are (supposedly) accurate and reliable, or market/fair/current value accounts which show business reality and are more relevant?

Taking up this theme, Mr Bernard Ragland, assistant controller and chief accountant of AT&T, was almost too fast for his audience. "I weigh 8lb 13ozs" he said. They finally got the joke as he went on to draw the analogy between birth weight and historical cost: they were both easily understood and reliable but, over time, they became increasingly irrelevant and current values were more important.

Prof Tweedie stressed that historical cost accounting was no longer as reliable as it had been. "The British balance sheet is, quite frankly, a mess", he said.

Prof Tweedie continued: "There is no logic behind the summation of some assets valued at historical cost, revalued several years ago, and other parts of the balance sheet which reflect current values. Despite this, we cheerfully add these numbers together and some people believe they mean something. Some analysts, for example, even base debt/ equity ratios on them."

While cautious not to preempt the decisions of his board, Prof Tweedie suggested that the "new start" needed in the UK might consist of piecemeal changes, for instance requiring regular revaluations of assets such as property. In other words, there would be further erosion of historical cost accounting and a gradual move towards reporting in current values. "There is no suggestion whatever of returning to historical cost," he said.

Mr Leland Brendsel, chairman and CEO of Federal Home Loan Mortgage Corporation, was one of several speakers whose companies publicly disclose market values. He argued that it gave the best measure of financial results and management's performance. It measured recorded success in building long-term value, in contrast to GAAP accounting, which encouraged management to maximise short-term reported earnings.

The timing of profit or loss recognition drew a fair amount of comment. Mr Raymond Lauver, former FASB member, emphasised that, under a market value model, gains and losses pass to the income statement when they occur and not, as under the US and UK standards, at management's discretion. It was this issue – the infringement of management's discretion – which prompted the fiercest opposition.

> 'We have got to come up with accounting standards and principles that actually reflect what debts and assets are worth'

Meanwhile, the American Institute of Certified Public Accountants is joining the market value bandwagon. It has set up a special committee to review financial reporting.

Mr Edmund Jenkins, chairman of this committee and managing director of accounting principles worldwide at Arthur Andersen, discreetly revealed his allegiance at the conference. The use of market values resolved many current accounting controversies, he explained. For instance, fair value accounting would significantly reduce consolidation problems.

The differences between pooling and purchase accounting – or merger and acquisition accounting in the UK – would diminish. The timing of profit recognition by joint ventures would be solved. Hedging, debt restructuring and real estate transaction problems would be eased. "The relevance of fair value accounting and the benefits it offers, compared with historical cost, far outweigh the reliability constraints," he concluded.

Choosing a place in the audience rather than on the platform, Mr Denis Beresford, chairman of the FASB, was a keen listener, but he said he would have preferred to hear more from the opposition. He admitted that it might be easier in today's climate to defend market values than historical costs and that the pressure was on for the FASB to "move a little faster".

The FASB under Mr Beresford's leadership has been forging lines of communication with standard setters internationally. The UK's Accounting Standards Board has permission to be more pragmatic in its approach than the FASB, which could be a useful influence for the US. The conference heard demands for a study of accounting concepts, so as to develop a "shared vision" of the market value model required for the future.

Both Mr Beresford and Prof Tweedie expect progress to be evolutionary. The question now is when, not whether, the fundamental concept underlying US and UK accounting standards are shifted from historical cost to market value, and accounting standards reflect this change.

The author is editor of World Accounting Report, published by Financial Times Business Information

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M1/M4 triangle

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A crime against good writing

EAST IS EAST
by Emma Lathen
Gollancz £13.99, 255 pages

IT IS time to blow the whistle on Emma Lathen. For 30 years the queen of the financial thriller has been chronicling the ineffably boring exploits of John Putnam Thatcher, executive vice-president of the Sloan Guaranty Trust – rumoured to be modelled on Morgan.

"Emma Lathen" is the *nom de plume* of two American ladies, allegedly a lawyer and an economist. They have been regularly overpraised for many years, presumably because (a) to build a crime series around an elderly and widowed banker is a bold and implausible idea, and (b) because most reviewers of thrillers know nothing of Wall Street and the City and are easily impressed by the jargon, the surface detail with which Lathen clads her undistinguishable and unmemorable dramas.

The latest, *East is East*, is typical of the series – as good a demonstration as any of Lathen's weaknesses. Thatcher is the same as ever (which comes as no surprise – he was "a youthful sixty" in 1964 having joined the Sloan in 1925, according to *Accounting for Murder*). He is an amiable, colourless, dry, intelligent, not-unsympathetic figure.

Sloan, traditionally described as the world's third-largest bank, has apparently now been "nosed out of the money by some behemoths in Tokyo", whatever that means. This is the cue for an extremely complicated tale set largely in Tokyo in the aftermath of the Recruit scandal. A bewildering cast of big-shot financiers and industrialists is fighting over various joint projects. The first murder actually takes place *inside* MITI – but not until page 59. Thatcher, as usual, oversees, and sorts out, the modest amount of mayhem that is permitted.

The trouble is that the book is deficient in almost all the skills that would be required of a high-quality thriller writer in less arcane areas of human activity such as espionage or politics or crime. Lathen cannot write to save her life. The dialogue bears no relation to character or nationality: Americans, Japanese, Koreans and English deliver in the same measured monotone. There is no attempt to use language to convey atmosphere, tension or romance (although the plot turns out to hinge upon a presumably passionate relationship).

Worst of all, there is not the faintest effort to communicate the drama, the character, the taste and smell, of the different cities and countries in which these cypher-characters are moved around. I guess that Lathen has never been to Tokyo; perhaps she has never been to New York either.

I lodge this protest because the financial world is surely the very stuff of drama, excitement, danger, mystery, complexity, passion, tragedy, romance, eccentricity, villainy, crime, and everything which deserves to end up in a thriller. I refuse to believe that banking is as tedious as this.

JDF Jones

■ Emma *Lathen's* Accounting for Murder *and* Death Shall Overcome *are available from Penguin at £3.99 each*.

The flying squad: Port of London policemen, minus their boots, undertaking their annual life-saving practice at the West India Docks around 1930. The picture is taken from *Docklands Life, a Pictorial History of London's Docks from 1860-1970* by Chris Ellmers and Alex Werner. The book traces the heyday and slow decline of the London docks through photographs from the collection which forms part of the Museum of London's Museum of Docklands project. The book costs £17.50, is published by Mainstream and is 205 pages long.

The Victorian's virtues

NEW PERSPECTIVES ON THE LATE VICTORIAN ECONOMY
edited by James Forman-Peck
Cambridge £30, 353 page

WITH the demise of Margaret Thatcher, Victorian virtues are discussed much less than five years ago. None the less it remains interesting to examine the economic changes that took place in Britain from the mid-19th century to the outbreak of the First World War, both for their own sake and also for any relevance this discussion has to events today.

New Perspectives takes the reader through a number of interesting areas which are important to understanding the dynamics of the Victorian era. They include the role of the railways in promoting economic change, and the rate at which British companies took on board changes in technology and applied them to world markets.

Especially noteworthy are its conclusions about the municipalisation of Britain's gas and water networks in Victorian times. In a chapter which will excite interest among regulatory agencies, the book finds that the state-ownership of these systems did not (as might be inferred by proponents of free markets) cramp competition and give consumers a poor deal. Rather, public ownership conferred advantages in terms of improving safety and reliability.

Costs were kept generally low not because competing utilities entered the market but because of the threat that they might do so. Where competition did take place, prices were driven down below the levels where it was economic to operate a service at all. As a result, most areas of Britain had just one system for providing gas or water, which for the sake of convenience and public welfare was taken under state control rather than being made subject to a ponderous system of monopoly regulation.

Where the book falls down is in its authors' use of jargon and their failure to express themselves clearly. One example will serve: "The qualitative (binary) dependent variable requires the use of logit regression since the dependent variable is bounded between zero and unity, contrary to the assumption of ordinary least squares regression."

Someone should have cut out this gobbledygook during editing.

Peter Marsh

Coal's Welsh king

DAVIES THE OCEAN: RAILWAY KING AND COAL TYCOON
by Herbert Williams
Univ of Wales Press £14.95, 258 pages

THIS BOOK is about "large Sceams with great Risk". David Davies, a semi-literate builder, struck the first coal in the Rhondda, brought the railway to mid-Wales, dreamt up Barry Docks and became the richest industrialist in mid-Victorian Wales. Born in 1818 in a farm cottage, he ended his days in a mansion in his home village.

As a liberal MP he favoured long working hours and the closing of pubs, and as an employer he once trailed a potential clerk back to the station to check he did not stop off for a pint *en route*. In short, he was the quintessential self-made Victorian.

Work as religion, Davies as visionary zealot, courses through this narrative: railways built with pick and shovel by men working 16 hours a day, dreams of the never-built Manchester-Milford Haven railway which was to make Pembrokeshire gateway to New World wealth; locomotives crewed by over-enthusiastic drivers hurtling unstoppably through stations or plunging over bridges.

When he turned to coal, industrial relations looked promising; his first miners gave him a free week's work when he ran out of money sinking two shafts in the Rhondda and struck the fine coal that fuelled Britain's shipping and turned Davies into a legendary Welsh Croesus.

The dream turned sour with the first strikes, blacklegs zooming in on midnight trains from Staffordshire, the *rise* in working hours from 54 to 69 a week in 1879. In impeccable detail, Williams traces the events of the 1871 strike, the start of the miners' union, through the series of misjudgments which in 1886 lost Davies his parliamentary seat, leaving him an isolated figure.

Davies' life, set against, in part responsible for, the development of old Wales of scattered farmsteads into the 19th century industrial valleys, is of interest to anyone wanting to trace the economic roots of the country: railways, coal, trade unions. Davies is as fascinating as any contemporary tycoon, yet in the right hands his story could become more than that.

Williams never pulls the details of his research into cultural analysis or economic history. All the material is here yet the crucial questions – how did the industrial revolution penetrate the fabric of this particular society? how were core Victorian values, from progress to philanthropy, filtered through a powerful personality? – are never asked, let alone answered.

Jackie Wullschlager

The FT Review of Business Books

SECTION IV WINTER 1991

What is Jimmy Goldsmith for?

Barry Riley reviews a thorough, but soft, biography of the colourful dealmaker

BILLIONAIRE: THE LIFE AND TIMES OF SIR JAMES GOLDSMITH
by Ivan Fallon
Hutchinson £18.99, 500 pages

WOULD we all have been better off without Sir James Goldsmith? It is a question that might have been considered by this overlong but well-assembled biography. Has the gambler, womaniser, propagandist and dealmaker lined his pockets with a billion or two at the expense of the rest of us, or has he served an economic function?

The answer is confused by Goldsmith's complexities. The accounts of his personal and corporate philandering leave the reader rather breathless; given that he was running his own business from the age of 20, it is surprising that Goldsmith did not burn himself out very young. Indeed, he has supposedly retired to his *hacienda* in Mexico at an age when rival British tycoons like Robert Maxwell, Tiny Rowland or Lord Hanson were only moving into top form.

At times Goldsmith appears as a wheeler and dealer looking only for short-term opportunities. There is the crucial incident of his failure to stick with his one-time partner Selim Zilkha and build up the Mothercare chain. "It was going to be a hard slog, and that suited me, it's what I like, but he has a different sort of mentality," Zilkha is quoted as saying.

On the other hand, in his twenties the young Jimmy had knuckled down to build up his French drugs company, based mostly upon cheap (but high margin) generic versions of branded products. The playboy, Ivan Fallon suggests, was jolted into a kind of change of personality by the death of his heiress wife Isabel Patino in 1954 after a complication of pregnancy.

Later in the story these contrasts recur. In his business life it is his ability to bide his time and then embark on a flurry of deals when the moment is right that mark him out. Plenty of others have reaped temporary riches but few, apart from Goldsmith, have been able to make the bigger plays, calling the ups and downs of the stock market cycle. Perhaps the professional gambler's acquired skill at weighing the odds has paid off.

In 1973, for instance, he was well ahead of the game in liquidating his share stakes and property interests as the 1974 bear market loomed; many others, including his friend Jim Slater, were swept away. He was back riding the Wall Street bull market of the mid-1980s, but shrewdly got out just ahead of the 1987 crash. The experience was not particularly enjoyable, however: "Like winning a rubber of bridge in the card room of the Titanic," he said later.

Unlike most other tycoons he has sought to build no coherent corporate entity. Cavenham, the vehicle on which he rode to fame and fortune in the 1970s, but only after six long years of struggle from 1964, was broken up. Other assorted prime assets included the US supermarket chain Grand Union and large areas of forests. Today his main holding is a stake in Newmont, the biggest US gold mining company, an investment apparently tailored for a financial apocalypse.

According to Fallon, Goldsmith's driving ambition all along has been to restore his family's faded fortunes and amass wealth comparable to that of the Rothschilds, a family which like the Goldschmidts emerged from the Frankfurt Ghetto. But this makes little sense, because his own family is such a bizarre intercontinental mess.

Not that Jimmy was ever exactly poor, given that as a last resort his father would bail him out of his debts. The spoilt brat flirted with financial disaster for some years. His mistress Ginette was stuck in a maternity ward at one stage because Goldsmith could not pay the medical bills. Yet the next year, when his business career took him to London, he was living in the Ritz.

The author is doggedly admiring of his wayward subject, but even *his* patience is tested by Goldsmith's treatment of women. One mistress, Sally Crichton-Stuart, wisely dumped him, but the rest settled for short leases on his undoubtedly considerable charms, and had to be reconciled to his one-family-per-city lifestyle. Annabel, his London partner, has refused to visit his Mexican empire, apparently much to his disappointment.

Few mysteries are solved in this book. There are tantalising references to the much more savage but unpublished Charles Raw exposé of Goldsmith's financial manoeuvrings: Raw never made his charges stick, says Fallon, though he has no explanation for the surely unnecessary complexity of many of Goldsmith's business dealings. The puzzle of the 1976 knighthood from Harold Wilson, included in the infamous lavender list of Lady Falkender, remains unsolved.

Fallon, under whose guidance the *Sunday Times* dropped its previously anti-Goldsmith line, and who has had extensive access to the great man, seems only partly able to understand why fellow journalists have had so much trouble with the erratic tycoon. But he describes at some length the change of mood in the 1970s when Goldsmith discovered that his early press honeymoon was coming to an end.

Goldsmith could not handle criticism and started to make crude attacks on the media, accusing *Private Eye* of criminal libel and creating havoc on BBC-TV's *Money Programme*. He developed wild theories of a left-wing press conspiracy. Having failed to buy the *Observer* and Beaverbrook Newspapers he set up *Now!* magazine in 1979, but as a Goldsmith organ the short-lived weekly attracted sneers and derision from the media.

Fundamentally it is surely Goldsmith's lack of loyalty that arouses hostility. Most of us have little sympathy with someone who preaches extremist political messages but packs his bags and goes off to another country when the government changes or he loses interest.

Now Sir James has 18,000 acres of Mexico in which to get bored stiff. He emerged in 1989 to make an abortive bid for BAT Industries, but showed that the old talents for timing and targeting were possibly losing their sharpness. Maybe age and diabetes are taking their toll.

Here is an idea: perhaps the veteran tycoon could yet go back to square one and mount another attack on those pharmaceutical cartels which are bigger and fatter than ever they were in 1950s France. That way he could earn another fortune and do us *all* a good turn.

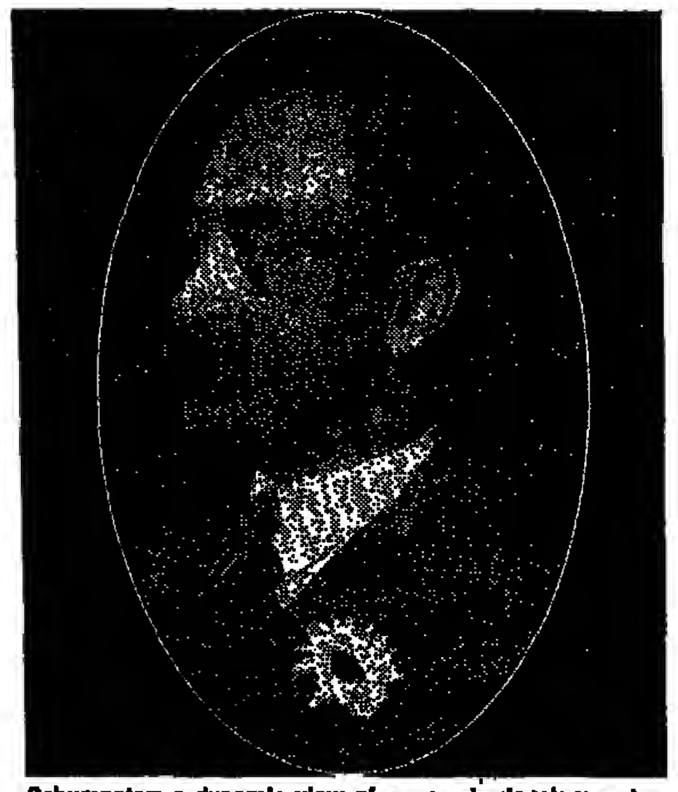
CONTENTS

Editorial Production: Andrew Anderson and Peter Berlin

A prophet of creative destruction

JOSEPH SCHUMPETER: SCHOLAR, TEACHER & POLITICIAN
by Eduard März
Yale University Press, £22.50/ $35, 204 pages

JOSEPH A. SCHUMPETER, HIS LIFE AND WORK
by Richard Swedberg
Polity Press, £35, 293 pages


Schumpeter: a dynamic view of economic development

THE CHANCES are high that Joseph Schumpeter would figure, along with Adam Smith and John Maynard Keynes, in most people's top ten list of great economists. But few of us would find it easy to explain why Schumpeter deserves his place in this high-brow company.

Schumpeter is well-known as the inventor of the term "creative destruction" and for the hackneyed anecdote about his boastful ambition to be Vienna's greatest lover, Europe's greatest horseman, and the world's greatest economist.

Yet Schumpeter's economic ideas are no less relevant to modern economics than those of Keynes, his more researched contemporary. Disillusion with the ability of macroeconomic policy to deliver stable economic growth, and the search for supply-side policies to boost productivity and innovation make a study of Schumpeter's economic more relevant than ever.

One cure for Schumpeterian illiteracy is to read a new collection of essays by the late Eduard März, the Austrian economist and pupil of Schumpeter at Harvard. The majority were published in German in 1983, the centenary of Schumpeter's birth, and were revised and expanded by März before his death in 1987.

The essays cover most of the areas of Schumpeter's works and intellectual life. The collection also contains a fascinating introduction by the Nobel prize winning economist James Tobin. Readers who are more concerned with Schumpeter's love life would be better reading a new biography by Richard Swedberg which is unparalleled in its provision of Schumpeter trivia as well as a thorough and well-written review of his works.

First the economics. Both März and Tobin were graduate students during Schumpeter's professorship at Harvard University, from 1932 to his death in 1950. By the early 1930s, Schumpeter already had a reputation as a formidable scholar. His first important work, *The Theory of Economic Development*, was published in Austria in 1912 when he was just 29.

This work laid the foundation for his business cycle theory, which he wrote while at Harvard. Writing in the inter-war years of depression and economic as well as political instability, both Schumpeter and Keynes shared a dissatisfaction with the inability of neo-classical theory to understand the dynamics of capitalism and the ups and downs of the business cycle.

But their alternatives were very different. Keynes argued that the cycle of boom and depression was a result of the market failures which plague capitalism. Schumpeter, by contrast, saw the cycle as a sign that all was well with the system.

Economic cycles were part of the process of innovation and change which characterised Schumpeter's dynamic view of economic development. Innovations, he argued, tend to appear in clusters as imitators bring their products to the market. Early in the cycle, demand outstrips supply and prices rise. Eventually supply responds, the market becomes saturated and deflation occurs. Only the most efficient survive for the next round.

This "perennial gale of creative destruction" was quite a change from the static neo-classical model that he caricatured in the *Theory of Economic Development*. But the real heresy was his claim that monopolies, with their economies of scale and incentive to innovate, are the true source of growth and innovation.

Yet Keynes was the hero among Harvard's young economists – much to Schumpeter's disdain. The General Theory, unlike *Business Cycles*, was easy to formalise and to analyse in policy terms. It implied that control over the business cycle was a possibility. Schumpeter had little mathematical ability. Indeed, Swedberg says, "he had the greatest difficulty even in getting anything right in class, despite daily exercises."

Nor did Schumpeter push his own theories. According to März, he never taught, assigned or discussed his substantive work with his students. When Schumpeter did give an early version of his business cycle theory at a seminar, he was mercilessly attacked by young Harvard economists, to his considerable annoyance.

Yet, if anything, he was a more important figure than Keynes among historians, political scientists and philosophers. In *Capitalism, Socialism and Democracy*, he argued that capitalism contains the seeds of its own downfall. The entrepreneur, the source of innovation, would be increasingly stifled by the growth of large, dominant monopolies. The analysis was powerful. He would be relieved that his conclusion that socialism would follow from capitalism's own destruction has not been borne out by post-war history.

Swedberg, a sociologist, skilfully explores the links between Schumpeter's work, his personality and his times. Sadly there is little about either his horsemanship or his sexual prowess, though he does claim that Schumpeter had "something of a reputation as a womaniser on the Harvard campus." But did you know he was called "Schumpy" by the Harvard students? Or that he fought a duel with the librarian at the University of Czernowitz in Austria to defend the right of his students to get better access to the books?

Swedberg is fascinated by Schumpeter's mental health, which was variable at best. After the death in childbirth of his second wife Annie, Schumpeter took up the "curious habit" of meticulously copying passages of her diary, imitating her hand-writing. Moreover, "when he had had copied the whole diary, he would start all over again, at times adding something that Annie had failed to mention."

One great service Swedberg has performed is to root out and catalogue many of the numerous aphorisms that Schumpeter composed during his life. Some reflect a cynical streak. "Democracy" he wrote, "is government by lying." But others will sound true to generations of economists, for example: "An economist who is not unpopular like hell is not worth his salt." Best of all is his "Advice to economists: boldly deny the obvious."

Edward Balls

Distilled entrepreneurial spirit

THE ENTREPRENEURIAL PERSONALITY
edited by Elizabeth Chell, Jean Haworth and Sally Brearley
Routledge £35, 171 pages

WHAT makes an entrepreneur? That is the simple question which the authors of this book set out to answer. In the course of the enterprise, they found themselves forced to consider a more basic question. "What *is* an entrepreneur?"

The answers have varied so much, historically and geographically, that P M Kilby likened the search for the entrepreneur to the search for A A Milne's mythical Heffalump in *Winnie-the-Pooh*.

Does the term apply only to business initiators, expanders, risk-takers, driven by the profit motive? Can the term properly be applied to people involved in non-market activities?

The "situational" approach emphasises the fundamental importance of market conditions, while the work of other scholars differentiates between the small business owner-manager and the small business venture. All very academic, if highly disciplined and stimulating.

The heart of this book is a description of a fascinating attempt to use computers (specifically neural networks) to try to evaluate entrepreneurship in individuals, and to predict entrepreneurial success. The technical details will not interest everyone of course, but the enterprise is one which every reader of the *Financial Times* will want to be aware of, in spite of my suspicion that it will take some considerable time for artificial intelligence to deliver any usable programmes in this field.

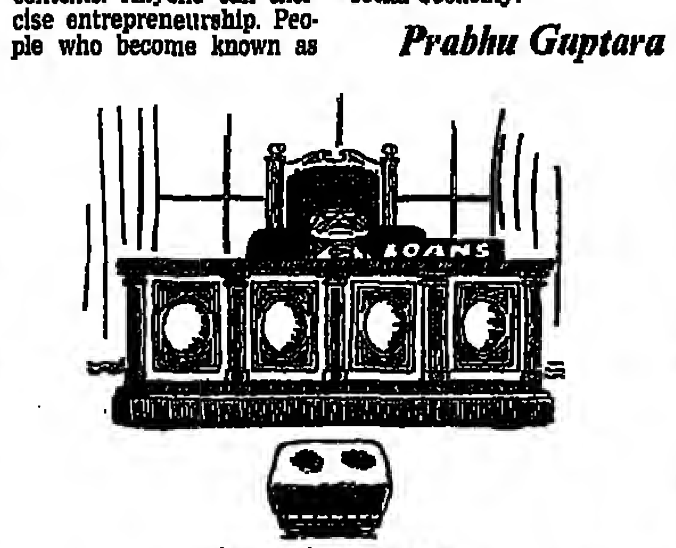
Neural networks may become quite good at establishing the degree of entrepreneurialism exhibited by an individual so far, but we all surprise even ourselves from time to time as a result of circumstances in which we find ourselves. And I doubt if intelligence, natural or artificial, will become very good at predicting market conditions – which are after all what make or break most entrepreneurs.

The rest of the book may be about well-established ideas so far as academics are concerned, but the average person will find it refreshing to discover that (for once) leading academic opinion lines up with common sense: entrepreneurs are not only extraordinary risk-takers and innovators who are internally, rather than externally, driven by a need to achieve. Any one of us can be entrepreneurial. In other words, entrepreneurship is not a mode of being but a mode of action.

It is not traits or characteristics, tendencies or biases, which mark out entrepreneurs, but certain kinds of actions in particular contexts. Anyone can exercise entrepreneurship. People who become known as entrepreneurs are simply those who exercise entrepreneurial behaviour more than the average. To put it sharply: entrepreneurship is a choice which any of us can exercise day by day and moment by moment.

Since self-image more than any other factor determines how people behave, perhaps this message can help people become more flexible about their self-image and so begin to release more entrepreneurial action – as is badly needed today, in the market economy as well as in the social economy.

Prabhu Guptara


Next petitioner, please!
From "The only good bank manager" a book of cartoons by John Jensen, Souvenir Press, £3.99, 34 pages.

Study costs and benefits of MBAs

THE MBA HANDBOOK: AN ESSENTIAL GUIDE TO EFFECTIVE STUDY
by Sharon Cameron
Pitman £16.99, 367 pages

CAN an MBA degree constitute a good investment for employers or for an employee? Is it one of the best qualifications, even a precondition, for anyone seeking a glittering business career, or merely an expensive and fashionable degree which, taken at the right place, virtually ensures high-powered opportunities?

The MBA Handbook: An Essential Guide to Effective Study is for those managers and executives considering formal management education, but possibly part-time. The difficulty here is coping with the double workload.

The best known MBA programme is probably at Harvard Business School: a highly pressured, highly competitive two-year, full-time programme which trains students in the analysis of business problems based on case studies. As an indication of the pressure involved, students are expected to read and analyse two or three substantial case studies per night in preparation for class presentations and discussion next day. In the UK the vast majority of courses are one-year full-time courses, or part-time equivalent.

Of course there is concern about *management* education in the UK as there has been since the end of the last war. An enormous amount has been achieved, but how many qualified students have been attracted to manufacturing industry, as distinct from, say, financial services? One might also ask what formal management training was necessary for such achievers – entrepreneurs and top managers – as Lords Hanson and Weinstock, Sir John Harvey-Jones, Alan Sugar and Jimmy Goldsmith?

For top managements concerned with attracting and spurring young talent and for ambitious young men and women who want to make it to the top and want to examine the merits of taking an MBA, this guide is a helpful indication of the demanding and probably stimulating time ahead.

For those still determined to press on, the third edition of *Which MBA: A Critical Guide to the World's Best Programmes* by George Bickerstaffe (published by the Economist Intelligence Unit, £55), will be helpful. Bickerstaffe admits that "it is no secret that many parts of industry notably in the UK - are suspicious, if not hostile, to the MBA degree". Experience is still valued above qualification.

Globally, there are thousands of graduate schools to choose from. The UK market is fragmented; the top five UK schools share 20 per cent of the market between them. Dozens of others account for the remainder.

The EIU has also published the second enlarged edition of *Developing Managers: A Guide to Executive Programmes 1991-92*, also by Bickerstaffe – £120 and well worth the price.

Wilf Altman

New Media

Buy problems you can handle

STUCK with a difficult problem? Cannot select the best option? Then it could be most useful to have a shot at one of the *50 Activities on Creativity and Problem Solving* by Cox, Dufault and Hopkins (ringbound 173 A-4 pages from Gower, £100). Though aimed at formal training with groups of individuals, almost all of the activities can be enjoyed by anyone on their own.

Here is a pack for you if you want to have fun while enhancing your individual and organisational ability to compete: exactly what you need if you think that de Bono has gone off the boil.

Researchers tell us that three other problems dog Britain's quest to regain greatness, or at least a life-style comparable with the US and Japan. The first is that, while the we British are good at communication when we get round to it, we cannot really see why it should it be a priority to let the left hand know what the right is doing.

Instead of boring homilies on the subject, Gower has brought out *The Communication Game*, complete with kit (£95 seems a bit much for a few pieces of plastic and board, but they are durable and bright, and author Bernard Katz has written some elementary notes on how to use the material). The game looks at aspects of communication between individuals as individuals.

But individual flashes of brilliance need to be supplemented by effective systems and procedures. If you agree, you may want to think of investing in Dave Francis's *50 Activities for Organisational Communication* (Gower, £100).

This is the second volume on the subject from Francis, like the first it is full of activities to help organisations discover precisely what causes those troublesome communication breakdowns, and how to prevent them.

The second factor which, according to researchers, holds Britain back, is that, in spite of cricket, we are really individualists rather than team players. Daedal has produced rather more extensive notes (roughly 120 A-4 pages) to go with their set of seven activities in *TeamBuild*. This is much better value (£195) and also comes with all needed materials, though these are of course team-activities, so you won't be able to play them by yourself unless you have a multiple personality.

The third factor, apparently, is our British propensity for grumbling into our moustaches, instead of complaining formally. If only someone would produce a method of training us in this essential. Well, Kogan Page offer us the next best thing: one of their new series of audiocassettes, Malcolm Peel's *Customer Service* (£9.99), provides guidance on how to cope with the few who bother to write, ring or appear *before you*, so you can keep the complaining or awkward customers and win new ones by the sensitivity and efficiency with which you handle them.

As we come out of the recession with depleted ranks and resources, help is at hand to *Make Every Minute Count* (£9.99). This too is a Kogan Page audiocassette (in this case by Marion E Haynes), and the series follows uses professional radio scriptwriters and actors to produce relatively easy listening. So you can make every minute count by listening to the tapes as you garden, jog or drive.

Prabhu Guptara

The challenge of change

MANAGING CHANGE FOR COMPETITIVE SUCCESS
by Andrew Pettigrew and Richard Whipp
Blackwell Business £35, 323 pages

IN THE rapidly shifting world of executive fashions, one theme has become a constant over the last couple of years: the management of change.

Some companies grapple with it under the umbrella of "total quality management" programmes, others use mundane labels such as "management in the 1990s" or "towards 2000." A third group invents code words which mean little to outsiders, such as "Project 1990" (BP) and "Project Sovereign" (BT). One yearns for a company to have the candour to call a spade a spade and proclaim "All Change."

But to do so would be daunting and dangerous. Daunting because it would scare most of the organisation silly at the degree and complexity of change that is required if it is to adapt at a faster pace than its environment, and therefore survive into the next century. Dangerous because, among a minority of courageous employees, it would create unrealistically high expectations of the degree of change which the organisation is actually capable of delivering.

Most recent books on the theme also fall into either or both of the same two categories. One of the best, Richard Pascale's *Managing on the Edge* (Viking Penguin £16.99), is daunting to European readers because of its strong emphasis on the need for internal conflict as a driver of change. On the other hand, Beer, Eisenstadt and Spector's *The Critical Path to Corporate Renewa* (Harvard Business School Press, £19.95), is dangerous in its simplistic overstatement of so many of its main messages, such as that top-down change programmes seldom work , and that "walk as you talk" is an overdone principle (surely it can never be overstated?)

Welcome, then, to an extremely thorough study conducted by two European academics into the comparative ability of four pairs of well-known UK companies to sustain the management of change over more than 20 years.

The book may be overpriced, and for the general business reader it is a somewhat uneasy compromise between a "trade" and an academic book – it is somewhat wordy, and its constant in-text references are a turn-off, as are its introductory demolitions of various impractical economic theories of competition. But its central arguments are compelling, as is its wealth of detail about the way such UK companies as Jaguar, Peugeot-Talbot, Kleinwort Benson, Hill Samuel, the Prudential, and Longman books have managed – or failed – to adjust to a series of external changes over time.

As the authors ram home again and again, the ability of a company continually to identify and understand the shifting nature of competitive forces, and repeatedly to mobilise its resources in response to them – or in anticipation – is far from simple. It is one of the most complex challenges imaginable.

Traditionally one-dimensional views of strategy (as purely rational and linear), of leadership (as necessarily charismatic and individual), and of organisational learning (as the privileged task of a few) are rejected by Pettigrew and Whipp as of no use – indeed, as downright dangerous. Instead, they weave from their eight study companies a complex change management "model" of five inter-dependent managerial and organisational factors:

- constant assessment of the shifting business environment;
- context-specific styles of (usually team) leadership, at every level of the organisation;
- the treatment of employees as assets, not costs, within an overall "human resource" strategy;
- the ability to translate strategic changes into operational reality;
- and, linking everything together, constant all-round coherence so that the organisation can be held together while being reshaped simultaneously.

For readers familiar with the action-orientated Pascale and Beer books, Pettigrew and Whipp's thoughtful work adds a useful extra conceptual dimension. For those who have not yet broached the growing pile of literature on change management, Pascale's may be the most exciting and insight-packed. But Pettigrew and Whipp's analysis of the performance of competing companies provides a valuable extra dimension of solid European scholarship.

Christopher Lorenz

A shopkeeper's revolution?

WORK 2000: THE FUTURE FOR INDUSTRY, EMPLOYMENT AND SOCIETY
By John Stanworth and Celia Stanworth
Paul Chapman Publishing, £16.95,262 pages

THE DISCUSSION of the future of work has led to the projection of radical scenarios. One theory is that high unemployment will revolutionise attitudes to employment and leisure. Another foresees a "portfolio" approach as individuals switch in and out of full and part time jobs.

John and Celia Stanworth believe that the likely extent of change has been overplayed. Perhaps it is for this reason that the future of work forms only a part of a widely ranging book. *Work 2000* encompasses themes including changing attitudes to industry and enterprise, the British cult of the gentleman amateur, the threat from more industrially minded cultures and the outlook for the British economy.

It is no surprise that, as Britain's first professor of small business, Stanworth and his wife (respectively director and a member of the Future of Work Research Group at the London Management Centre) devote much attention to the growth of the enterprise culture in Britain in the 1980s. They consider the extent to which self- employment and small businesses have increased in status and the political and attitude changes which made this possible.

This forms only the second, shorter section. The opening portion is devoted to interviews with 26 "decision-makers and opinion formers." These include Lord Callaghan, former Labour prime minister; John Bolton, author of the study which revolutionised thinking about small firms; Sir Charles Villiers, former chairman of British Steel; and Norman Willis, general secretary of the Trades Union Congress.

Each is asked the same questions about the reasons for Britain's post-war decline, attitudes to enterprise, whether or not Britain is a meritocracy and the outlook for the economy. This rigid format allows some interesting comparisons but also makes for a degree of repetition.

Several contributors bemoan what Callaghan calls the "dealer culture" of the 1980s. Bolton believes government policies have merely nibbled at the edges of small business issues. Villiers acknowledges that the expansion of small firms may have contributed to what he calls "the centrifugal tendencies" in British society which weaken attempts to direct economic and industrial policies for the common good.

The number of people in self-employment or running a small business rose during the 1980s from less than 8 per cent of the working population to more than 12 per cent. But many of the interviewees are still not convinced that attitudes to enterprise have changed fundamentally.

The 1981-82 recession; the decline in manufacturing jobs and the growth of services; changes in technology; management buy-outs: all contributed to the growth in the small business sector. But the principal thrust was political, the Stanworths conclude. The accession to the Conservative Party leadership of someone from a *petit bourgeois* background helped promote the small entrepreneur as the most desirable manifestation of capitalism.

Thatcherite politicians may have regarded enterprise in terms of a religious faith and the number of entrepreneurs certainly grew, but relatively few make the transition from employment to self-employment. Those that do are frequently the offspring of parents who themselves were self-employed.

And while the enterprise revolution created many small firms, few have grown to medium-sized businesses, let alone large concerns. Far from being a nation of shopkeepers, the British live in an economy dependent on large companies. The largest 100 manufacturing concerns represent 40 per cent of total net output.

The Stanworths have written a lucid exposition of many of the industrial and cultural themes which have dominated economic discussion of the past decade. But while the authors have been able to transcend the densities of academic prose to write an accessible account of events the same is not always true of the fellow academics they quote.

Charles Batchelor

Profits from the name game

MANAGING BRAND EQUITY
by David A.Aaker
The Free Press £18.95, 299 pages

WHAT'S IN a name? Billions of dollars, judging by the stratospheric prices paid in the late 1980s in the stampede to acquire branded consumer products companies such as RJR-Nabisco, Kraft and Rowntree.

Yet here lies a paradox. According to David Aaker, a professor of marketing strategy at Berkeley, the very qualities which make brands worth fighting over – the promise of competitive advantage and future profits – are being squandered by short-sighted managements.

To retain their value, brands need sustained investment and nurturing which pay dividends only over the longer run. But such support is often hard to justify to top managers and shareholders fixated by quarterly earnings.

As a consequence, US companies have increasingly spurned brand-building for price promotions and other quick-fix tactics to boost sales and profit increases. Such methods have often yielded short-term results, but at the cost of seriously weakening brands by cheapening their image. Over time, this process undermines a central economic premise of brand-building: that it is far less expensive for a company to maintain and extend an existing customer base than to assemble a new one.

The fate of Joseph Schlitz in the 1970s underlines the risks. Once the leading US beer, Schlitz's sales and profits collapsed after it was reformulated in an ill-judged effort to cut costs and then promoted through aggressive discounting. Despite a hasty return to the original formula, backed by a lavish advertising campaign, Schlitz never recovered its lost sales.

Epic business failures are often easier to explain – and more entertaining to read about – than successes. The speed of change in fashions in management theory is a measure of the difficulty of identifying what is special about companies which do things right.

Because brands are intangible, books about managing them are particularly prone to glib and woolly platitudes. Aaker's stands out as a serious attempt to bring intellectual rigour to the subject by constructing a coherent analytic framework and documenting his arguments with a wealth of case histories.

As well as examining in detail more conventional functions such as market research, packaging and advertising, he relates brand-building to wider aspects of competitive strategy such as customer support and technological innovation. Yet, for all his efforts to taxonomise brand management, the vicissitudes of psychology keep breaking though. The positive mental associations which make successful brands can often be rooted deep in the human sub-conscious and defy simple analysis.

How, for instance, could the makers of Saran Wrap cling film possibly have known in advance that, in its initial version, it would remind women of the acute frustrations of housework? And just why do Japanese consumers find "Tomato" an appealing name for a bank?

One of the few certainties is the extraordinary longevity of powerful brands. Nineteen out of 22 US market leaders were the same in 1985 as 60 years earlier. And though the Datsun car brand was changed to Nissan in 1981 at a cost estimated at $500m, a survey seven years later found the two names commanded equal consumer recognition and esteem.

If Aaker's book has a weakness, it is that it is so heavily US-focused. A definitive study ought to have something to say about subjects such as Euro-brands and how larger UK retail chains have wrested brand supremacy from their suppliers.

Guy de Jonquieres

For richer, for poorer

THE WORK OF NATIONS: PREPARING OURSELVES FOR 21st CENTURY CAPITALISM
by Robert B.Reich
Simon & Schuster £15.99, 331 pages

IF 21st century capitalism does indeed turn out as Robert Reich predicts, then the vast bulk of the world's population has little to look forward to. Euphoria and triumphalism over the collapse of communism and socialism will be shortlived. In this thought-provoking, even alarming book Reich paints a picture of an increasingly polarised global economy in which the fortunes of the wealthy and the poor continue to diverge. Not just between nations, though that will continue too, but *within* them.

By the year 2020, he writes, the top fifth of earners in the US will account for more than 60 per cent of total income, while the bottom fifth will earn a mere 2 per cent. The top 20 per cent, whom he calls "symbolic analysts" – problem-solving, strategic-brokering individuals, possessing genuine competitive advantage, will become ever richer while those performing routine production and service jobs will fall further behind.

The problem arises because while the top 20 per cent of citizens in the industrialised countries add substantial value to the global productive process, the rest are not. To prevent a further widening of the income gap between these two groups, the fortunate fifth must share its wealth and invest in the wealth-creating capacity of the rest. But because the new elite is becoming ever more tightly linked to the global economy its stake and interest in its less fortunate compatriots is declining.

He envisages a new, divisive "us" and "them" scenario in which we – the workforce of the US or European Community – and them, a growing cadre of supranational corporate players, whose allegiance is to worldwide corporate performance rather than to any one nation's economic success, are forced apart.

In the borderless world of the 1990s, corporations no longer have a national identity – they have become global webs, locating their high-volume, standardised activities where labour is cheapest and production most profitable. "American" corporations and industries can no longer be meaningfully identified from the rest of the global economy. According to Reich, US living standards depend less on the nation's core companies and industries, or even on the national economy, than on the global demand for the skills and insights of citizens.

This thesis both distils and contradicts the view from the Harvard Business School on the other side of the Charles River (Professor Reich is a professor at Harvard's J F Kennedy's School of Government) where Professor Michael Porter has argued that it is companies, not governments, that compete in world markets. According to Porter, the more competition becomes global, the more important is a company's "home base." Not so, says Reich, arguing instead that competitive advantage resides with citizens rather than corporations, and that the firm's home base no longer matters.

Porter may have been right in the 1970s, but no longer; Apple Computer uses Singapore as its research centre for developing video screens, Hewlett-Packard has major research activities in Germany and Australia, while Procter and Gamble's Liquid Tide product was the handiwork of European researchers. Product development is footloose and the connection between corporate profitability and the standard of living of a nation's people grows ever more attenuated.

When it comes to solutions, the author skates on thin ice. The neomercantilist premise or zero-sum nationalism – they win or we win – is incorrect, he says. Japanese mastery of certain technologies will not shut out technical progress elsewhere. The solution is "positive" nationalism, where the goal is to enhance global welfare rather than advance one nation at the expense of another.

Positive economic nationalism eschews barriers to trade and capital flows and encourages public spending within nations on health, education, training and infrastructure. It would subsidise cross-border investment to develop high value-added technologies and products, though to guard against zero-sum behaviour in this field a "GATT for direct investment" would be required. Positive nationalism would also ease the transition of workforces from sunset industries to sunrise activities.

Most of this sounds just too good to be realistic; the retraining of workers is to be paid for from an internationally-financed common fund; the First World would reduce the Third World debt burden while also agreeing to the transfer of high-volume standardised production to Third World producers, and then also open its markets to them. There is a sense of uncoupling about the book, with the hard-head realism that predominates being delinked from the rose-tinted wish-list of the final pages.

It would be easier to share this optimism were the soundwaves and TV screens not full of the zero-sum nationalism of the Serbs and Croats, the disintegration of the Soviet Union, the rows over political and monetary union in the EC, not to mention the CBI's demands that British ministers do more for UK business in world markets.

That the globalisation of business has changed the nature of corporate strategy and is changing the behaviour of governments is obviously true. But recent events in regions as disparate as the Soviet Union, Eritrea, Quebec and the Balkans are evidence that blood is thicker than the global web of corporate ties.

Tony Hawkins

A whirlwind tour of Asia

PACIFIC ASIA IN THE 1990s
by Masahide Chibusawal et al.
Routledge (for the RIIA) £30, 167 pages

MORE THAN half the world's people live in Asia. If you strip out the Indian subcontinent, as this book does, the region is still more formidable, especially in its growing economic power. It includes Japan, China, Australia, the four new economies closest to industrialised states, Malaysia and Thailand, both rushing to join the rich nations' club, as well as Vietnam and IndoChina. Decisions taken in Tokyo, Seoul, Taipei and Peking may have more relevance to the future of Europe than all the haggling of the Eurocrats and their political masters.

Thus, one can both welcome "this important new book", as its publicity proclaims, and lament the shortsightedness of the publishers who have provided so few pages – only 163. It means that the authors at their best can provide a tour d'horizon and at worst a quick sketch which makes questionable assumptions.

The authors have given too much space to a summary of the 1980s. In places they have been caught out by changes as they were writing. They mention but do not really assess the collapse of Communism in Eastern Europe. They talk of Japan's "shrinking" external surpluses, just as these head towards $100bn a year.

One of the problems in dealing with the region is its variety. To their credit, the authors make some sharp, usually correct assessments and judgments on politics and economies. Their treatment is best and most forward-looking in dealing with individual big countries, notably China and Japan. But the constraints on space lead them to some views which at the least need to be substantiated by argument. They claim that if in mid-1989 China's "leadership had not resorted, at that particular juncture, to a decisive, if deplorable, action against an increasingly unruly mob of demonstrators, the country might have disintegrated into complete chaos and confusion, with untold consequences for the region and the world."

The mountain of subordinate clauses may indicate the authors' unhappiness at this conclusion. Leaving aside the claim that it was an "increasingly unruly mob" there were other forms of decisive action that China's old men might have taken, such as wearing the demonstrators down or starting negotiations, to avert chaos. As the authors argue, the use of force has created its own problems for the Communist party's legitimacy when there is already tension between the demands of the party and those of modernisation.

Also worth more discussion are the authors' assertions about Japan. Their claims that "Japan has been singularly blind to, and ignorant of, the impact that its success might have on other countries, friends and foes alike" would be accepted by many. But their hopes that Japan will find a role for itself as "facilitator" for other nations remain a – rather pious – hope.

The key may be the US, itself a Pacific nation. The authors are too quick to claim that "the notion of the 'decline' of the US is more a manifestation of fashionable debate than a reality." America has proved itself the sole military superpower. But its economic domination is under challenge and its political wisdom, in its budget deficits and in the acerbic demands made by Trade Representative Carla Hills and others, can be questioned.

Kevin Rafferty

The rise of the 'Glammies'

THE DEMOGRAPHIC REVOLUTION
by Jane McLoughlin
Faber, £12.99, 159 pages

UNTIL recently, you could be forgiven for thinking that the "disappearing teenager" was the title of a sci-fi movie. Now we know that it is shorthand for the "demographic revolution," also called by Jane McLoughlin the "demographic time-bomb," even the "demographic nutcracker," the effects of which will be "huge," "formidable" and "mind-boggling." McLoughlin is not one to under-write.

As a result of a fall in the birth rate in Britain from a peak of 1m in 1964 to 675,000 in 1977, employers in the next decade will experience a shortfall of young workers. The percentage of 15- to 19-year-olds in the population is forecast to reach a low of 5.9 per cent in 1994, but then only increase to 6.9 per cent by 2010 (compared with 8 per cent in 1985) and then decline until 2025 when the proportion will be as low as in 1995.

McLoughlin's study is perhaps the most ambitious effort yet to gauge the effect of demographic change on our future lives. Her predictions range from the sensible to the bizarrely subjective, even to the mildly scaremongering. With 75 per cent of the current workforce leaving school at the age of 16 and the majority receiving no further training, levels of training for the young, as well as for old and retired induced back into work, will have to improve.

McLoughlin, a former editor of the *Guardian's* Womens' Page, affords women a crucial role in determining whether the coming shortage of young people will be a "disaster" or herald "a new era of industrial peace, enlightened management and rewarding employment."

"Women created the time-bomb," McLoughlin writes. "In the late 1960s and 1970s they took personal control of their fertility and made their own choices about marriage, career and the size of their families."

Of the almost 7m people of working age in Britain estimated to be economically inactive, 66 per cent are women. For women to be encouraged to enter the workforce, McLoughlin says, child care facilities will have to increase. The chauvinistic family and the patriarchal office will have to change in the brave new world. McLoughlin predicts a decentralised business structure, with increasing numbers of people "teleworking" from home, linked by PCs. In offices she suggests that common lavatories would be "a great step towards female equality.

"After all, in the gents, women are totally barred from the actual exercise of power. Lone women members of company boards often comment on how a question is discussed around the table in the boardroom before a decision is taken. The men, pleading the weaker male bladder, then break and go to the gents before the vote. When they return, they have agreed on their decision with no further reference to token women."

The old will pose an increasing burden of care, especially upon families (there will be 4m people over 75 in 2001) Society will become more middle-aged and conservative, more intolerant of those considered "unproductive." The image-makers will reflect the "glammies" – Greying, Leisured, Affluent Middle-aged Spenders.

Leisure subjects will drop out of a curriculum aimed at making up for the UK's backwardness in skills and qualifications. Work will dominate young people's culture, but an expanding leisure industry will cater for their affluent elders. McLoughlin has seen the future. Time will tell if it works.

Mark Archer

America: a case for the long view

SHORT-TERM AMERICA, THE CAUSES AND CURES OF OUR BUSINESS MYOPIA
by Michael Jacobs
Harvard Business School Press $24.95, 268 pages

SHORT-Term America is yet another book spawned by the malaise pervading the US as it ponders its relative economic decline compared with powers such as Japan and Germany. This work, however, deviates from the standard focus on the deficiencies of the education system, the unfair trading practices of other nations and the budget deficit. Instead Mr Jacobs identifies the structure of the US financial system as the cause of the problem. Providers of capital have become alienated from its users, he argues, pushing up the cost of financing and allowing corporate managers to escape accountability.

The emphasis on corporate governance will add to the book's appeal in the UK where this subject has come under increasing public scrutiny. However, it is unlikely to endear Mr Jacobs to US chief executive officers who are portrayed as overpaid and Luddite in their determination to hide behind a regulatory system that allows shareholders little say in the way corporations are run.

The book arose out of Mr Jacobs' experiences at the US Treasury, where, for the first two years of the Bush Administration, he was responsible for formulating policies to improve the competitiveness of US corporations. The core of its argument is the proposition that both investors and managers are short-sighted in their approach. Pressure to maximise short-term return has caused institutional investors to abandon their responsibility as owners of companies. Investment techniques such as indexing – matching a portfolio to the constituents of the main stock market index – have proved a disincentive to finding out what is going on in the companies they own. Instead they are simply traders.

Nor do the companies themselves willingly offer owners much information. Mr Jacobs describes how executives admit to telling stock market analysts as little as possible about their affairs, ostensibly because they are worried about sensitive information leaking to their competitors. Corporate law in many states makes it difficult for shareholders to challenge the management of companies they own. For example, it is often presumed in law that shareholders who do not vote on a resolution would have supported the management. Sometimes, Mr Jacobs says, managements resort to arm-twisting, even blackmail to force institutional owners to vote for them at annual meetings.

Ultimately investors who are dissatisfied have no alternative but to sell their holdings. This laid corporate America open to the wave of leveraged-buyouts (LBOs) that characterised the 1980s. Mr Jacobs is reluctant to say that LBOs were a bad thing, though they were an extreme response to the alienation between the owning and managing classes. Particularly at the beginning, LBOs involved take-overs of underperforming companies at low price multiples. The debt incurred in the process was also better spread through the world banking system than many assumed and therefore constituted less of a threat to financial stability.

Yet there were occasions when LBOs had a spectacularly negative impact, as, for example, the antics of Mr Robert Campeau in the retail sector. Meanwhile, LBOs had a particularly damaging consequence in that they encouraged managements to make themselves even more impregnable to shareholder attack, through the tightening of protective state laws and the development of corporate finance weapons. This only served to deepen alienation between the two sides of the investment equation.

At the same time the banking system was beset by regulatory restraints which prevented lenders from becoming more involved with their customers. Banks cannot hold equity in non-banks or open branches in other states. The opportunities afforded by the commercial paper market means they have been bypassed by the best companies in their search for credit.

Neither banks nor investors thus have a long-term interest in the companies they finance, a situation which contrasts sharply with Japan and Germany. Mr Jacobs does not want to model the US directly on either of these, but he points out that the stability of ownership patterns and the long-term involvement of banks make it possible to tackle problems over a longer time-frame. Companies can be more open with the core providers of capital, even if they are less so with small shareholders. The risk to these providers, particularly of equity capital, is reduced and they thus require a lower return. That enables the companies more easily to justify investing for the longer term.

These are persuasive arguments. The problem remains as to how the structure of the US financial system should be changed so as to bring providers and users of capital together again. Somehow a class of investor should be created which is interested in corporate governance. Mr Jacobs suggests that this could be done through the establishment of specialised firms. These would limit their holdings to a manageable number of companies in which they would retain a large stake, but not one large enough to constitute a threat to the management. That may sound off-the-wall in today's climate, but it is only following the model of Mr Warren Buffet's successful Berkshire Hathaway. Mr Jacobs also has a shopping list of regulatory changes, for instance, that would allow banks to hold equity and would limit the uses to which they could put government insured deposits.

Given the extraordinary failure of the Bush Administration to push banking reform through the Congress this autumn, it is hard to see such regulatory changes being implemented. What is needed is a cultural transformation every bit as radical as that which the US is seeking to impose on Japan. There is little short-term prospect of that, but failure to live up to the challenge will condemn the US economy to long-term decline.

Peter Montagnon

How Abbey broke the habit

ABBEY NATIONAL: CONVERSION TO PLC
by Margaret Reid
Pencorp Books £15.95, 193 pages

THE stock market flotation of Abbey National in July 1989 was a landmark in recent British financial history, transforming a large but relatively little-known institution into one of the market's star performers.

When Abbey National decided that its best chance of long-term survival in the 1990s lay in abandoning the protection of mutual ownership and taking advantage of new powers under the 1986 Building Societies Act to become a quoted company, it cannot have foreseen the trouble that lay ahead: months of bad press, a rebellion by a group of members, and a time-consuming and stormy dialogue with its regulator, the Building Societies Commission.

Two years on, Abbey National's decision has been triumphantly vindicated. Margaret Reid has interviewed virtually everyone involved at a senior level in the change-over. She has produced a thorough chronicle of events, though her perspective generally clings closely to that of the Abbey hierarchy.

This discretion does not mask the boldness and professionalism displayed by Abbey National on its progression towards the stock market. The number of building societies is dwindling steadily under market pressures, but it looks like being a while before another society has the right combination of clout and vision to enable it to break away from the herd.

David Barchard

A daredevil debtor

MURDOCH: THE DECLINE OF AN EMPIRE
by Richard Belfield, Christopher Hird and Sharon Kelly
Macdonald £14.95, 336 pages

DISHED: THE RISE AND FALL OF BRITISH SATELLITE BROADCASTING
by Peter Chippindale and Suzanne Franks
Simon & Schuster £16.99, 327 pages

THE fascination with international media moguls, their deals, debts and dastardly deeds, seems to be limitless even when they are still alive and well on dry land.

Rupert Murdoch, the man nicknamed the "Dirty Digger" in the UK for introducing naked ladies to his *Sun* newspaper, is already the subject of seven books and the canon will continue to grow, including a planned version by the man himself.

Can there really be anything new to say about Rupert Murdoch, the victor of Wapping, who owes more to his banks than many Third World countries? The answer from both *Murdoch* and *Dished* is an emphatic "Yes" although each book suffers from different flaws.

The volume from the Christopher Hird team, partly based on a Channel 4 documentary, has by far the more solid analysis on the Murdoch path to power and international influence. The book traces in detail the hallmarks of the business style of Murdoch, an instinctive gambler who has several times put the company's future on the line in pursuit of high risk goals such as the lucrative market for satellite television Murdoch believes exists in the UK.

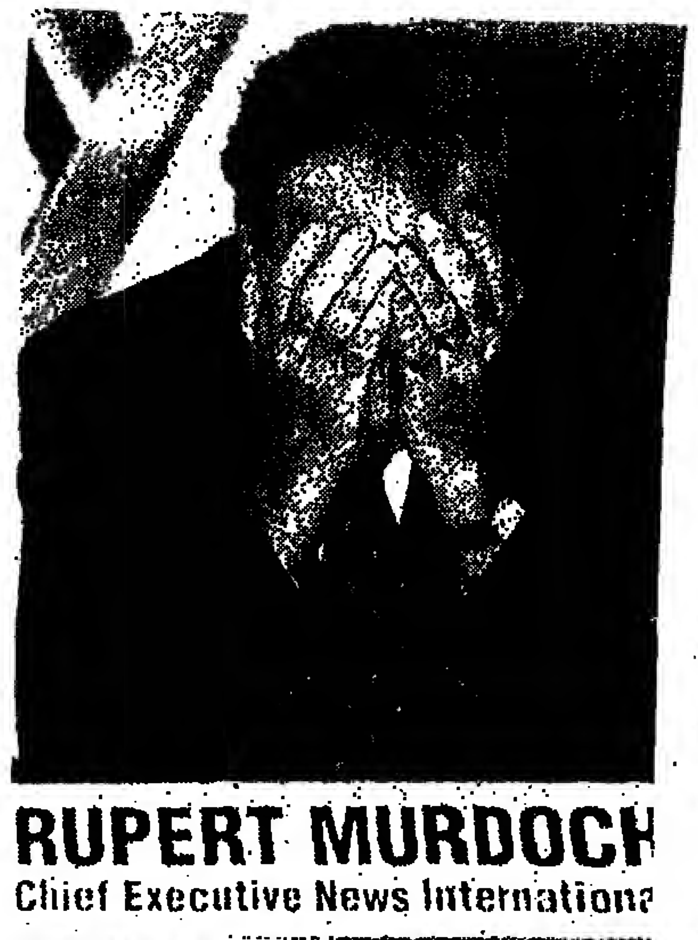
It describes how Murdoch has often managed to find ways around, or at least to limit the effects of, regulations designed to stop media concentration in Australia, the UK and the US. There is also the extensive use News Corporation has made of offshore tax havens, and the fact that it is an international company, to cut net tax – in 1990, for example, to 3 per cent of profits.

Murdoch: The Decline of an Empire chronicles the splurges of the past three years – even Rupert Murdoch admits he paid $500m too much for Triangle, publishers of TV Guide in the US – that took the company to the very brink before the debt restructuring agreed by the end of January this year.

As with acquisitions, timing can be everything with books. The cover asks: "Can Rupert Murdoch and News Corporation Survive?" While the book has been wending its way through the publishing process Murdoch has been busy proving the stern stuff he is made of. In the very week of publication Murdoch won a three-year extension and more favourable terms for more than $3bn (£1.6bn) in debt.

The business analysis, however, leaves little room for the flavour of Murdoch the man. The final paragraph of the book is a tale designed to convey the essence of Murdoch the survivor. Murdoch is swimming in Shark Bay with a group of journalists when a black fin appears. The media tycoon was the only one who did not panic and was last out of the water. The only slight problem is that Murdoch says he has never been to Shark Bay and that no such incident happened.

There are more sharks in the water in *Dished* – and they are mainly Australian sharks who swallow intact the hapless staff of British Satellite Broadcasting after last year's merger with Sky.



Under pressure: Murdoch's empire stood at the very brink

Here Murdoch, if not exactly the hero, is at least the daredevil who snatched what was supposed to have been BSB's satellite television monopoly, as Margaret Thatcher helpfully looked the other way.

In a racy and often hilarious read, *Dished* serves up the mixture of vision and extravagance, bad luck and bad judgment, that characterised BSB. Did Anthony Simonds-Gooding, the BSB chief executive, really hire a baby elephant at an early BSB staff party, as well as a female impersonator, magician, troupe of musicians and children's entertainer?

Chippindale and Franks accurately chart the main turning points at which BSB started to become a loser – the emphasis on marketing before there was a product to sell, the failure to win a conclusive victory in the battle for Hollywood film rights, the under-estimating of the enormous sophistication of its technology and the impact its lateness would have in a highly competitive market.

In contrast with *Murdoch: The Decline*, *Dished* is dominated by anecdotes and "fly-on-the wall" narrative and is weaker on serious analysis of the complex issues involved and the dramatic changes under way in the world of television. "It's once over lightly," comments one of the key figures involved, who told me he found the things he is reported to have said hysterically amusing.

Raymond Snoddy

MPs: a rewarding investment

MPs FOR HIRE
by Mark Hollingsworth
Bloomsbury £16.99.

WHAT do you get for your money if you appoint an MP as non-executive director of your company, or employ one as consultant? Too much, according to the author of *MPs for Hire: the Secret World of Political Lobbying*.

Mark Hollingsworth, who has produced the first book exclusively on MPs' commercial interests, gives numerous examples of potential conflicts of interest among the 384 MPs who hold between them 532 directorships and 452 consultancies.

His thesis is that industry, the professions and even foreign governments can all buy influence at Westminster, through hiring MPs as advisers. This enables them to wield political clout in a way not open to the public.

House of Commons rules allow MPs to hold commercial interests provided that these are disclosed in speeches in the Commons and are entered on a register published annually.

The book's most revelatory passages are those about what a business can look for from its consultant MP: the minimum seems to be, if an MP is a director, attendance at a monthly board meeting, while consultants tend to be available "on call". The average annual fee is estimated at pounds £15,000 plus perks, and the duties are not such that a backbench MP is unable to cope with more than one at a time.

An all-party committee has recommended a register of lobbyists and has proposed tighter rules on the chairmen of Commons departmental committees: neither has yet been approved by the House of Commons as a whole.

Alison Smith

Who's who in Brussels

CHAPMANS EUROPEAN DIRECTORY
by Peter Kaye
Chapmans £65. 308 pages

THIS elegantly produced guide to the European Communities sets out to explain to the businessman how to operate in Brussels and its associated institutions.

In addition to explaining the working of all the institutions, the volume includes a full directory of the European Commission and the European Parliament, down to the details of every functionary and every MEP.

Astor and his newspaper

DAVID ASTOR AND THE OBSERVER
by Richard Cockett
Andre Deutsch £17.99, 315 pages

RICHARD Cockett's book about David Astor and *The Observer* is reviewed here rather than on the general books pages because it adamantly denies that it is a biography of Astor (which would have been a perfectly interesting subject, one would have thought). It sets out to be the story of Astor in his role on *The Observer*, as (effectively) proprietor and editor for about 30 post-war years.

After some early remarks about Astor in his youth – his Cliveden home as "talking shop" of the Establishment, an increasingly difficult relationship with his formidable mother Nancy, his distancing of himself from the family, the failure at Balliol – we are given nothing at all about his life except that which relates to *The Observer*. As biography, then, the book is hopelessly flawed. As the story of *The Observer* in its heyday, it has a certain fascination, although it is irretrievably soft-centred.

David Astor took control of the family's paper in 1948, in the shadow of a rift between his parents, Nancy and Waldorf. Cockett argues that the years between then and 1956 (when *The Observer's* circulation overtook the *Sunday Times'*) were a Golden Age. He has to admit that the achievement had its artificial element in that there was newsprint rationing, no commercial television and no *Sunday Telegraph*. After 1956 things deteriorated; Cockett blames the amateurism of management for the decline of the years that followed, culminating in the sale to Atlantic Richfield in 1976 and then to Tiny Rowland and Lonrho in 1980. "It's hard to imagine two people more different than David Astor and Tiny Rowland."

We are assured that it was good while it lasted. *The Observer* became to Astor "the Balliol I never had", that is to say, a wonderful talking-shop in which – hiring was his great gift – he brought together Orwell and Haffner and Schumacher and Kilmartin and Deutscher and Tyerman and Koestler and Clark and Crankshaw and O'Donovan and Sampson and Beloff and Legum (and Philby) in his role as "the only real idealist to edit or own a British newspaper this century".

The atmosphere was one of extreme tolerance, amateurism, informality. Of Astor's editorial style, Katharine Whitehorn coined the famous phrase "The Editor's indecision is final". Mother Nancy said *The Observer* was "written by Germans for Blacks". But it had charm, and often brilliance, and always conviction and imagination (Freddie Ayer and Louis Blom-Cooper wrote on soccer, for example). Meanwhile Astor was active in all sorts of directions – including the founding of the Index on Censorship and the Minority Rights Group – and the paper's influence on African policy, discussed at length here, cannot be denied.

By the early 1960s the fun was fading. The paper did not lose readers over its stand on Suez, says Cockett, but it certainly lost advertisers. The *Sunday Times* was building momentum. The *Telegraph* launched a Sunday edition and a colour magazine. "*The Observer* could no longer afford the luxury of being simply a very good newspaper; like its rivals, it now had to become an attractive advertising medium, an entertainment sheet and a 'lifestyle' magazine as well." Astor had no choice. He hired professionals to take over from his favoured intellectuals (Donald Trelford still survives as editor) but, with hindsight, his days were numbered.

The campaign pro and anti-Tiny Rowland is not described here in adequate detail, perhaps because Astor was no longer editor; he has had nothing to do with *The Observer* for ten years. Cockett – in a rare shaft of mischief – quotes the great rival, Peregrine Worsthorne of the *Sunday Telegraph*, describing Astor as "the greatest British editor of the post-war era". Up to a point, Lord Copper.

JDF Jones

INDUSTRY

The great game of privatisation

REGULATORS AND THE MARKET
edited by Cento Veljanovski
Institute of Economic Affairs £10.95, 243 pages

THE REGULATION of the UK's newly privatised industries is turning into a "game" between industry chiefs and the regulators. That is the unsurprising conclusion of the editor's contribution to the Institute of Economic Affairs' volume of essays. Anyone familiar with the sometimes tortuous negotiations between regulators and their subjects might have observed as much.

Mr Veljanovski goes further, arguing that the game, the need on the part of companies to anticipate and influence their regulator, is now so complex that it is consuming resources and increasing the burden of regulation. He calls for an independent review of the diverse approaches to regulation.

That is reasonable, given the confusion and uncertainty which face investors considering the investment potential of privatised companies, in particular the utilities. It is hard to disagree with Mr Veljanovski's claim that current regulatory practice is characterised by weak accountability, weak judicial review and an absence of procedural safeguards. Nor would many readers dispute the conjecture that the UK regulatory system will not evolve into efficient law.

In fact, until the last few essays, under the heading "Alternatives to Regulation", it is hard to disagree with anything in the book. A great swathe is filled with contributions from industry regulators, setting out how their particular regime is functioning. A reader unfamiliar with UK practices might find this useful, but it is of questionable benefit to anyone with even a passing knowledge.

Like good regulators, the writers avoid anything controversial, but are content to describe in general terms how they see their role. That is fine so far as it goes. The problem is that the regulatory debate has moved so fast that even a quickly produced volume like this rapidly appears dated.

The editor sets out the two opposing views of regulation. The first camp sees the *ad hoc* development of regulation, the high profits of the utilities, the absence of genuine competition, and the supposed deterioration of service levels as evidence of inadequate regulation. Ideally, a single body should be given powers to consolidate the various regimes.

The second camp, which includes the managements of many privatised companies, believes the actions of some regulators have breached the implicit bargain struck between the government and shareholders in the privatised industries that the rules of the game would not be radically changed.

Industry and regulators are on a collision course over the question of who ultimately runs the business. One thinks of the indignant comment by the chairman of British Gas that privatisation, far from ending government interference, significantly increased it.

Perhaps the editor's primary intention was simply to spell out what most observers instinctively feel to be true. As Mr Veljanovski says: "The political imperative to get the nationalised industries into the private sector as fast as possible resulted in a significant trade-off in favour of monopoly and regulation, and away from competition."

The result is that most regulators confront a situation where the structure of their industry is fundamentally at odds with the goal of competition. They can hardly be blamed for pursuing the natural goal of introducing that elusive quality. Rather, the blame lies squarely with the government.

Andrew Freeman

Cases for and against

GOING PRIVATE: PRIVATISATIONS AROUND THE WORLD
by David Clutterbuck, with Susan Kernaghan and Deborah Snow
Mercury Books £16.95, 241 pages

EVERYBODY, it seems, is doing it; from Austria to Mexico, France to Greece, Chile to India, governments are privatising (mainly loss-making) state-owned companies, many of them taking their lead from the Thatcher years in Britain.

The authors set out to explain why, and how. They, but mainly Dr David Clutterbuck, try to explain why "the international movement to return public sector activities to the private sector is as dramatic – perhaps more so – than the nationalisation process that preceded it. The story of privatisation is not one of dry statistics; it is composed of hundreds of stories of individual organisations, which had to relearn how to survive".

Well, in this study, not quite hundreds, but it does include some excellent case studies, including British Telecom, Cable and Wireless, British Airways and the Spanish energy holding company, Repsol.

There is also a topical section of privatisation plans in Eastern Europe, but some changes have caught the authors unaware, as countries such as Poland and East Germany change the privatisation rules almost by the day.

Clutterbuck and his two researcher colleagues try to assemble a pro and anti privatisation balance sheet, the case against resting largely on a paper prepared in 1988 by Bill Callaghan of the British Trades Union Council which, like the Labour Party itself, has changed its stance somewhat over the years.

They avoid a commitment either way, although one senses that they are with the privatisers. Their case studies from the Thatcher years are both interesting and informative, but the sophistication of Britain's financial markets means that these examples will not always travel, especially into Eastern Europe.

"Reviewing these cases, and others which we have encountered in our researches, it is clear that there are several common problem areas, and every enterprise which considers following the privatisation route should take them into account."

They include, in capsule :

- The commitment of top management to the mechanics of privatisation is invariably high, so have a good second team in place to handle the day-by-day running of the business;
- Some changes need to be made well before privatisation, including accounting procedures that budget against the bottom line and results, rather than simply allocating funds;
- A massive culture change is almost always needed, and this can take a lot of time and planning;
- Consumers expect a higher standard of service from privatised companies;
- Senior managers, particularly of utilities, are more exposed and publicly accountable for the performance of their companies. Under public ownership, this responsibility lay somewhere between managers, civil servants and ministers.

Inevitably, critics of the privatisation process see a selling off of the family silver, state assets being undervalued with share prices "leaping to a premium that rewards speculators with quick profits" and with no particular deepening of wider share ownership.

TUC research, writes Mr Callaghan, suggests that privatisation damages industrial relations, undermines job and income security, and makes it harder for unions to represent members effectively. Those in favour reply that he would say that, wouldn't he.

Dr Clutterbuck believes that privatisation will be a significant factor in the global economy for at least the next decade adding, somewhat modestly, the hope that the cases outlined in his book will provide some lessons for those organisations yet to go down the private road. They do just that.

Dominic Coyle

FINANCE

The secret of Japan's success

THE RISE OF THE JAPANESE CORPORATE SYSTEM
by Koji Matsumoto
Kegan Paul International £45, 276 pages

BUSINESS bookshelves are bulging with tomes analysing the Japanese economy. As a result, much of *The Rise of the Japanese Corporate System* will have a familiar ring. Yet this is an exceptionally powerful book. Koji Matsumoto, a former official of the Ministry of International Trade and Industry, has developed a theory of the Japanese corporation.

Matsumoto tries to explain the anomalies of Japanese companies – why in a system that has capitalist legal structures shareholders are so powerless; who actually runs Japanese corporations and for what purpose; and what all this has to do with the world-beating success of the companies.

Matsumoto deduces the behaviour of Japanese companies from a few historical developments, arguing at length that this behaviour does not have much to do with Japan's cultural or social tradition.

The first was the advent of the lifetime employment system in pre-war Japan. This gave security, but also ruled out lateral job mobility. Thus, an employee's economic future was intimately tied to the fate of his company. This gave employees a powerful incentive to look after the interests of the company as whole, even more than the pursuit of career advancement within the company.

The second development was the emasculation of shareholders after the war, when occupation authorities broke-up the *zaibatsu*, or financial combines. To protect themselves from corporate raiders and even ordinary shareholders, corporate directors developed webs of interlocking shareholdings with friendly corporations. Dividend payments were kept low, and mutual respect for management autonomy was maintained.

Matsumoto picks apart the question of in whose interests the companies are managed. The answer, he concludes, is that Japanese corporations are the expression of the will of their employees, whose prime interest is long-term growth, not quick returns.

This simple and elegant approach allows Matsumoto to make a range of fascinating observations about a host of important issues facing corporate managers. He believes it is impossible for western corporations to develop the same degree of employee commitment for two reasons.

The first is that corporate and employee interests in the west are different, since corporate managers must answer to capital markets where a high return on equity is expected. The second is that employees usually have choices. They can leave one company and join another with, relative to Japan, little disruption to a career.

Matsumoto admits that the Japanese system restricts freedom of choice. And he says the system is not good at rewarding the brilliant individual. Yet Mr Average – Mr Majority – is treated humanely and given more responsibility and meaningful freedom within companies than his counterpart abroad. The result, he says, is superior corporate performance – and a more humane society.

Steven Butler

A quick life of Nadir

THE SULTAN OF BERKLEY SQUARE
by Tim Hindle
Macmillan £16.99, 228 pages

THE problem with any book on an individual and events that are the subject of criminal court proceedings is that it must rigorously observe the pre-trial rules which insist that nothing must be published likely to prejudice the case.

Those who have avidly followed the fortunes of Polly Peck and Asil Nadir, its chairman and chief executive, should not expect too much from an account that must keep one eye on the law. The result is a lucid and readable but lacklustre narrative that rarely goes beyond mild criticism and often seems fulsome about its subject, the "darkly handsome" Mr Nadir.

This is a pity because Mr Nadir was one of the most exciting entrepreneurs of the 1980s, who generated a belief in Polly Peck that lifted its share price so that £1,000 invested in it in 1980 was worth £1.3m by 1990 before the price collapsed.

On the birth of his first son he sent his wife some red roses. Hidden in each was a diamond. Unfortunately this is one of the few biographical gems unearthed by the author in a narrative that hardly expands on existing knowledge. The other problem is that it is not true.

The changes to the UK wrought by Thatcherism is as central to Tim Hindle's account as the story of Polly Peck and Asil Nadir. In parts it overshadows the corporate story. A more cynical observation might be that contextual references to the BT share sale, Big Bang and yuppies provide useful padding for the shortfalls in research that relies heavily on press cuttings, a point the author concedes.

While the book lacks surprises the author succeeds in demystifying some of the financial complexities of the story. While this work had, to some extent, been carried out in the press, he has pulled the pieces together and recounted them in a simple, confident style.

Richard Donkin

A tabloid tale of excess

DEN OF THIEVES
by James B Stewart
Simon & Schuster $25 493 pages

SOMETIMES the fuss surrounding a book is almost as instructive as the words inside. *Den of Thieves*, a comprehensive account of the recent Wall Street scams which culminated in the imprisonment of Drexel's Michael Milken, is a case in point.

After extracts had been blazoned across the *Wall Street Journal*, the book's publication garnered an extraordinarily lavish review in the *New York Times Book Review*. "This is an absolutely splendid book and a tremendously important book," gushed Michael Thomas, the author of a fictional Wall Street saga called *Hanover Place*.

The response was correspondingly vicious. Alan Dershowitz, a renowned Harvard lawyer now advising Milken, bought full-page ads in the same paper angrily repudiating the review – claiming, among other things, that Thomas/Stewart had anti-Semitic leanings, and observing that Stewart once worked for Cravath, Swaine & Moore, the law firm which is mustering a criminal lawsuit against the former junk bond "king".

Stewart, front page editor with the *WSJ*, may not be displeased. *Den of Thieves* tops the best-seller lists.

So what does this add up to? First, it shows the difficulty recession-hit US has in coming to terms with the 1980s excesses. Second, it is a reminder that the insider dealing revelations are far from being history. Formidable legal guns are lined up on both sides, and self-serving PR campaigns are still the order of the day.

As for the book, it plainly has merits. Stewart delivers "a good read", neatly connects the various scams and players, and is revealing about the atmosphere which suffused Wall Street.

But, without buying all of Mr Dershowitz' claims, it is also the sort of book which should make any reputable journalist blush. Stewart is embarrasingly soft on some of the main characters – among them, Marty Seigel, Fred Joseph, Jim Dahl – and one can only suspect that these were sources.

But this is an almost forgivable when compared with his habit of selecting and embellishing raw evidence, imputing motive, and then presenting the nicely-worded result as incontrovertible fact. But given the legal sensitivities, one might expect a little more care.

A small incident, plucked from testimony at Milken's pre-sentencing hearing last year, makes the point. Dahl told the court that Milken summoned him to the office the weekend after Boseky was charged with insider trading, led him to the mens room and turned on the taps.

Stewart's account continues: "With the water running, he (Milken) leaned towards Dahl. 'There haven't been any subpoenas issued,' he said in a hushed tone, though he must have known otherwise. 'Whatever you need to do, do it.' Dahl wasn't even sure what a subpoena was, but he understood what Milken meant: if he had anything incriminating, destroy it."

In fact, what Dahl subsequently said under cross-examination was that he did NOT think Milken was asking him to destroy documents or impede the Government inquiry.

If Stewart is willing to select from sworn testimony and then impute thoughts specifically denied by a Government witness, one can only be suspicious about the book as a whole. The Boesky/Drexel ties may be the scam of the century, but this would be better proved by cold fact than asserted through fictionalised reporting. Perhaps there is something to be said for British libel laws after all.

Nikki Tait

Mixed views of Nippon

THE PROMOTION AND REGULATION OF INDUSTRY IN JAPAN
edited by Stephen Wilks and Maurice Wright
Macmillan £50, 356 pages

JAPANESE BANKING AND INVESTMENT IN THE UNITED STATES
by Peter S.Rose
Quorum Books £33.95, 203 pages

JAPAN AS ANYTHING BUT NUMBER ONE
by Jon Woronoff
Macmillan £40, 303 pages

ONE of the marvels of the modern world is Japan's great growth which has taken it almost to the top in tables of per capita income (the World Bank gives Switzerland the lead with $29,880 [£16,881.30] against Japan's $23,810) and net external assets.

Peter Rose notes that US Navy Commodore Matthew Perry would be highly surprised by this rapid Japanese progress. He sailed into Uraga in 1853 with hopes that Japan would prove an untapped market for US farmers and manufacturers, instead Japan has been the victor: "Isolationism has been transformed into internationalism, built upon the solid foundation afforded by Japanese technological innovation and organisational genius," writes Rose.

But success has also brought controversy. The idea of "Japan Inc" has become a familiar part of often acrimonious debates about Japan's economic and trading behaviour. The essays edited by professors Wilks and Wright should go a long way towards dispelling ideas that there is a seamless policy cloak of Japan Inc or that policy is fixed and resistant to what is happening in the world.

The authors examine the interplay between government and industry in pharmaceuticals, shipbuilding and US and Japanese telecommunications. They reveal a world that is in flux, a bureaucracy that is not united, a Japan that is only slowly opening up to international pressures.

Contrasts with the US are sharp, especially in telecommunications where the Department of Justice and Judge Harold Greene enforced pathbreaking decisions to split up AT&T. In Japan, on the contrary, "law follows practice." Nippon Telephone and Telegraph and the ministry of posts and telecommunications resisted efforts by outsiders, let alone foreigners to get a share of the industry.

The essays put together by Wilks and Wright are patchy. some of the contributors should have been given lessons in how to write simple, concise English. The book suffers from being written by academics using other people's research. It lacks feeling for the change brought about by Japan's growing international strength as well as by internal power shifts. What do bureaucrats, businessmen, politicians think? How are their views changing? There is a disappointing silence.

Jon Woronoff will have nothing of the nonsense that Japan is the world's leading economic power or indeed Number One at anything. His final chapter is entitled "Japan as No. 23 or 57 or whatever" and conveys what he really thinks.

This a polemic, his eighth specifically attacking the idea of a Japanese miracle. He has some sound points to make, but undermines them by his constant scoffing manner and his refusal to acknowledge that anything good has come from Japan.

Kevin Rafferty

BUSINESS BOOKS

A screwdriver relationship

SYNERGY: JAPANESE COMPANIES IN BRITAIN
by Geoffrey Murray
PHP Institute, Tokyo, $25. 222 pages

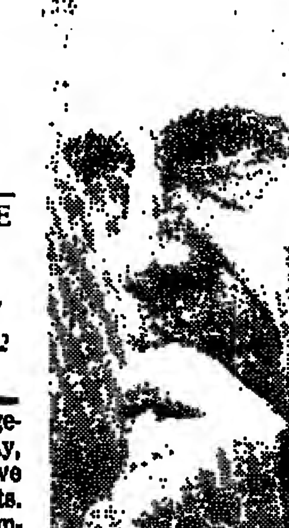
SEAT, Volkswagen's Spanish subsidiary, recently paid the North-east of England an unexpected compliment by placing recruitment advertisements in local newspapers there. There could scarcely be a more telling indication of Nissan's impact on the training and development of the local workforce. As such, this is just one more reminder of why Japanese investment in Britain really is an economic, social and political issue of our time.

This book offers an introduction to the issue that is readable in a chatty sort of way but intensely irritating to anyone wanting real specialist insight. Its fault is – if I dare suggest it in the columns of a newspaper – that there is too much journalism and too little research-based argument. There is no attempt to provide substantive analysis of the quantity and impact of Japanese investment on the UK regional economy. There is a lot of rather waffly padding, for example in the lengthy discussion of the status of Japanese studies in British education.

Like all good journalists, however, Murray has got some authoritative sources who are frequently quoted at length. The result is an impressionistic picture that nonetheless contains occasional insights. UK attitudes to Japan have changed since the 1970s, when the central preoccupation was with the damage it could do to indigenous companies. Generally, consumers have a positive view of Japanese products. There is no doubt that companies such as Nissan have transformed management thinking even if its ideas are not necessarily new or even Japanese in origin. Marks & Spencer adopted a very Japanese attitude to its suppliers long before the wave of Japanese investment that hit Britain in the 1980s.

One could wish that Murray had devoted some of the discussion of the European Community dimension to the notorious row between Japan and the Brussels Commission over the application of dumping duty to so-called screwdriver plants. Lack of precision here will not endear Murray to the real trade policy experts, but perhaps that is not the point.

There is a role for a book which registers the new-found relevance of Japan in a digestible way for the non-specialist reader, if only because it raises some broader issues. How should the relationship between the two countries develop beyond the mere mercenary exchange of labour for capital? Why is there still an extraordinary shallowness to


Norman Tebbitt: Buy Japanese cars

the political relationship? Can the economic relationship survive unless this point is addressed.

Like many Japanophiles, Murray seems to think that nothing but good can come out of Japan's involvement in the British economy. That gives the book a distinct, but probably coincidental, undertone of economic liberalism, but he also implicitly reminds us that liberalism was the only motivation for the Thatcher government in encouraging the investment in the first place. There is something less than pure economic doctrine in a remark attributed to Norman Tebbitt when he was Trade and Industry Secretary. "Surely," the then Minister maintained, "it is better for the British people to buy Japanese cars made by British workers than to buy German cars assembled by Turks."

Peter Montagnon

Bank that rebuilt Hong Kong

HISTORY OF THE HONGKONG AND SHANGHAI BANKING CORPORATION, Vol IV (Hongkong Bank in the Period of Development and Nationalism)
by Frank H H King
Cambridge University Press; £60: 991 pages

THE Hongkong and Shanghai Banking Corporation is the last and by far the greatest of the once great British colonial banks. The last 40 years have seen it develop from a narrow colonial base to become a multinational institution. Today the Hongkong Bank has a global presence and is ranked 23rd in the world by shareholders' equity, 26th in terms of assets.

The period from 1941 to 1984 covered in the mammoth fourth volume of Frank King's history was a time of whirlwind change. Hong Kong was occupied and crushed by the Japanese, yet emerged triumphantly to become one of the world's greatest cities. The Hongkong Bank played the key role in promoting a virtual economic miracle.

The best pages are the story of the purchase of Marine Midland, a detailed but tightly written account of the Hongkong Bank's biggest international leap in the late 1970s. Unfortunately, King asserts that the deal was a great success and was a true "partnership" between the two banks. Yet, Marine Midland has tottered from loss to loss, so that the Hongkong Bank had to make a manage ment clean-out.

King is much weaker on the 1960s takeover of the Hang Seng Bank. He provides only a sketchy outline of the failed attempt to buy Royal Bank of Scotland. His lame excuse is that the event will have to wait for future historians because it is close to the end of the period he is dealing with.

More seriously, King fails to capture the excitement of the changing times. He presents largely a dry and dull banking history rather than a dynamic drama. You have to read Han Suyin's *A Many Splendoured Thing* to realise the turbulent, impoverished refugee-ridden start Hong Kong had after the war.

Sir Arthur Morse's bank played a crucial part in putting the colony on its feet again, and building up its textile industry. Later, the bank backed blooming Chinese entrepreneurs, notably Li Ka-shing whose purchase from the bank of a 22 per cent holding in Hutchison Whampoa was "a steal" according to Bill Wyllie, the company doctor who rescued the old hong. Yet Li gets just oneentry and a mere six lines for the Hutchison deal.

King takes up far too much space with balance sheets, lists of branches, lists of managers, all of which should have been swept to the back in appendices. His greatest failure is a refusal to ask awkward questions and particularly about the impending Chinese takeover of Hong Kong in 1997. He finishes the history at 1984, but adds a few pages about the new bank headquarters, completed in 1986. But by then Margaret Thatcher had signed the agreement to hand over the colony to China – Hong Kong's death warrant, critics claim.

The author may pretend that he is writing a history, not a book of political prediction. But 1997 looms so large over the bank as well as over Hong Kong that the bank's directors must have had the issue in the front of their minds at least from the time of the Marine Midland purchase. The need to insure against the Chinese takeover is the motive force behind the bank's internationalisation, and may prove to be its biggest mistake. It has lost money in the US, in Australia and in its James Capel subsidiary in London. And in its Hong Kong stronghold, what price its dominance after China takes over?

King provides not a clue to the views of the Hongkong Bank executives. Did the bank not open these files to him, or was there nothing in them since the subject is too sensitive? Or was he told the subject was off limits? At £60 a copy it is an expensive omission for readers.

Kevin Rafferty

Guides to the new frontier

UNTIL RECENTLY, those seeking business information on Eastern Europe faced a difficult task. But the opening of the East European and Soviet economies has led to *a flood of new sources. The* problem now is to pick those which are accurate, relevant and up-to-date.

The task would be simpler if a single volume could provide all the basic information. But with events changing so quickly, most books have a shelf life of six months or less. Businesses have to supplement their libraries with newsletters, textlines and customised reports. There are dozens of services available; here is a guide to some of the best.

A good place to begin is by contacting Tania Konn at the Glasgow University Library, which keeps track of all East European and Soviet business publications. The library can provide a listing of all the books, newsletters and electronic materials available, and for £50 per hour provides a thorough data enquiry service.

According to Ms Konn, a business that needs to keep abreast of developments *should subscribe to a general* newsletter, a more substantive statistical source, and a general directory, as well as pertinent industry or region-specific material.

There are three excellent general newsletters. Arguably the best is *Business Eastern Europe*, published weekly by Business International. The format is sensible and easy to use. It includes a "What's New in Your Industry?" update organised by sector, travel news, feature articles, and classified "Opportunities," (eg Hungary: Leading publisher seeks foreign investor). Cost: £680 per annum.

Half the price, but still good, are two fortnightlies: *East European Markets*, published by the Financial Times, and *Plan Econ Business Report*, written by Planned Economies Research Associates. Both cover the highlights of trade, legislation and economic factors affecting business in *short, snappy blurbs*. General business news for the USSR is available in *Commersant*, a weekly commercial newspaper published in English and Russian.

For more rigorous data and statistics, the best source is the *East European Statistics Service*, a monthly survey by East-West Publications. This provides hard to obtain detailed economic and trade statistics. Another source is *Interflo/Eastern European Report*, an American abstracting service which publishes some 28 updates each month on business activities.

The directories which are available all suffer from the problem of timeliness. However, several published in 1991 should be useful for at least the next year. These include: *Eastern European Business Directory*, published by Gale Research International Ltd. (information on 5,000 business organisations in the region divided by *product, geography*, and alphabetically); *Joint Ventures, Acquisitions, and Privatisation in Eastern Europe and the USSR*, a new guide by Business International; *Major Business Organisations of Eastern Europe and the Soviet Union* by Graham and Trotman (a 400-page directory including the details of ministries, banks, import-export agencies and services); and *Investing in Eastern Europe and the USSR* by Price Waterhouse and the EIU.

There is an increasing number of specialist publications, ranging from *Business in Siberia*, a local magazine, to reports on the chocolate industry. For country-specific news, the Chambers of Commerce publish booklets in English, updated regularly. For example, the Albanian Chamber puts out a bi-monthly publication, *Albanian Foreign Trade*. The Confederation of British Industry publishes a series of handbooks on trade and investment opportunities for each country. At £25 each these are excellent value for money. The Caversham Press publishes more expensive handbooks for Hungary, Czechoslovakia, Poland and the USSR.

Specialist newsletters cover almost every topic of significance, including law, finance, and industry sectors. For legal updates on issues such as foreign investment protection, there are two good ones, *East European Business Law* (published by the FT) and Butterworth's *Soviet and East European Business Law Bulletin* put together with the help of law firm Cole Corette and Abrutyn. *East-West Joint Venture News*, published in Geneva, keeps track of all joint ventures being done. On the financial side, Euromoney publishes a monthly magazine called *Central European*, which includes feature articles and a section on "deals." Business International, Lafferty and the FT also produce financial newsletters.

It is possible to buy publications covering almost every sector of the Eastern European economy. There are also an increasing number of publications related to the individual Soviet republics. The best way to locate these is by contacting the Glasgow University Library.

Businesses which require up-to-the-minute information may wish to link up with an electronic database. Business International, Reuters, IP Sharp Associates, the FT, and ICC International Business Research all offer special services. The most comprehensive is by ICC (File 563 on Dialog) which includes financial, trade and legislative news by country, plus sources of information and contact data.

For those businesses which cannot justify the expense of maintaining their own databases there are a number of sources of free information. The East European Trades Council publishes a volume of general market data (*Eastern Europe: A Business Profile*; 5th edition due shortly) which is useful for exporters. It also has a small library in London. The Department of Trade and Industry (DTI) produces a series of guides to Eastern Europe and the Soviet Union, including *Trading with Central and Eastern Europe* and a booklet called *Hints to Exporters*. The DTI also has telephone lines set up to answer questions. (Ring 071-215 4735 for Eastern Europe; 215-4257 for the Soviet republics)

A few services will write specially-commissioned reports on the region. MAI Information East Europe specialises in consumer market research. Bank Research Eastern Europe, based in Cyprus, publishes reports on Eastern European banks (assets, deposits, credit-worthiness, etc.). For £100 a shot they sell good value "short-form" reports.

Although much of the available information is provided by the large Western publishing groups, there are some very useful niche services. An example is Red Square Trade Info in Tarnow, Poland. Set up three years ago by an Anglo-Polish couple, Ursula and Markey Gacek, this company has published several directories including a Directory of Poland's Major Industrial Companies, covering financial results of Poland's top 500 companies. The new edition has just been printed. Mr Gacek says that the key to his success is understanding the East European mentality after so many years of communism. "When you ask a question here, they ask why you want to know" says Mr Gacek. "We know how to cope with that."

Linda Bilmes

■ *Linda Bilmes is a manager at the Boston Consulting Group.*

Helping the East help itself

EASTERN EUROPE AND THE USSR: THE CHALLENGE OF FREEDOM
by Giles Merritt
Kogan Page £9.95, 253 pages (available in various languages).

THERE IS no interest like self-interest, when it comes to persuading people to dig into their pockets for others. And the topical message of this timely book for Western leaders, particularly those of the G-7, the ultimate Rich Man's Club, is that they cease their quibbling and start giving significant aid to the Soviet Union and Eastern Europe.

The West's self-interest in helping the East is both positive and negative. If it successfully transforms itself into a series of market economies, the East will bring much new business to Western companies, as well as anchoring itself in the democratic camp. If, however, it slides into chaos, it could bring the West much worse than just waves of illegal immigrants. We have seen from 1930s what a witch's brew can come from a combination of ethnic nationalism and economic depression.

In fact, Giles Merritt has interesting parallels to draw with Latin America (bad) and south-east Asia (good), but wavers on which he would most liken East Europe's prospects to. He sees the possibility that out of Latin American-style hyper-inflation and recession will emerge in Eastern Europe populist caudillos who will exploit nationalist tensions. On the other hand, he suggests that the East Europeans could match or even surpass the south-east Asians, because "these countries have a firmer educational and industrial base than did the Asians, they are on the doorstep of the EC's wealthy single market and they also have their own hungry and unsatisfied home markets to supply."

Optimistically, I favour the Asian parallel. Communism has left East Europeans with two advantages – a high level of formal education, which was never used, and relatively narrow wage/income differentials (which were an economic disincentive, but should for a while at least avoid the fights about income distribution that plague Latin American politics). But, despite its misleading title, this book is mainly about Western policy towards the East, and ways in which the West can do more.

Perhaps the major immediate cause of hardship in the East is the collapse of the Comecon barter trading system, precipitated by Moscow wanting a hard currency return on its energy. Since the problem is so similar to that faced by western Europe in 1945, the same solution – a European Payments Union – has been touted to help Eastern Europe and the Soviet Union continue to trade together.

Merritt reminds us of how with only $350m, (designed to cover settlement time lags between countries), the EPU kick-started West European trade back into life in the 1940s. Both Merritt and the European Commission (which has sponsored this book) have urged another EPU system on the central Europeans, but the latter have rebutted the idea. They see it as a Western attempt to keep them in the same regional straitjacket to which they have been confined for 40 years, and to avoid having to open EC markets properly to eastern goods.

The truth of this last suspicion has been demonstrated by the hand-wringing in the EC Council of Ministers about letting into the EC a couple of hundred more tonnes of central European meat. Much of Eastern Europe has a natural advantage in agriculture and, as Merritt says, this "could be the lifebelt that will keep the economies of Eastern Europe afloat while they make the difficult transition to the free market". One fears for Eastern Europe if the Gatt trade talks fail to punch a hole in the EC's farm protectionism.

In two other regards, Merritt suggests that altruism might pay dividends. He reveals how lop-sided direct foreign investment has been, with much going to one country, Hungary, the "grand-daddy" of Eastern economic reformers, and much to just one sector, the car industry.

But direct foreign investment remains small at some $8bn, and Merritt raises the question of whether Western governments should not underwrite it. Equally, he notes that it might be cheaper to abandon the hallowed environmental principle of "polluter pays". Some "downwind" Western governments might find it more effective to pay "upwind" Poland directly to clean up its industry, rather than further reducing their own relatively harmless emissions.

Running through this book is the story of the Group of 24, the western aid consortium for Eastern Europe which the European Commission, to its surprise, was invited to form at the Paris economic summit in 1989. Merritt drops one or two tantalising comments, such as the unsuitability of turning Third World aid techniques to rescuing the remains of the Second World (Communism). But the G-24 effort deserves more of a critique than it gets here.

Bang up to date though this book is it could have explored a bit more the longer-term political consequences of that 1989 decision to put Brussels at the wheel of the West's aid ambulance for Eastern Europe. These consequences are now very evident, with three central European states slated to join the EC by the century's end and to have some link-up with Nato long before that.

David Buchan

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INSIDE

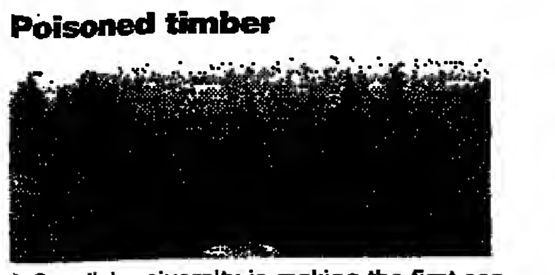
Dresdner and BNP share swap delayed

Talks on the long-awaited share exchange between Dresdner Bank, Germany's second largest bank, and BNP, the largest state-controlled bank in France, have run into problems which should delay the announcement of a deal until well into the new year. The banks came close to completing the deal last September. Pages 22 and 23

DnB negotiating acquisition

The financially troubled Den norske Bank, Norway's biggest bank, announced yesterday that it is negotiating the acquisition of Realkreditt, a mortgage institution. The deal is designed to prevent DnB, Norway's biggest bank, falling under state control while boosting its capital adequacy. A source close to the negotiations said that one of the terms of the deal being considered is that Realkreditt's owners buy shares in DnB. Page 23

Poisoned timber



A Swedish university is making the first concerted effort to quantify the effect of air pollution on European forests in economic terms. The report to be published next year by the Swedish university of agricultural sciences estimates the cost of forest losses due to air pollution in Europe and the European land mass of the Soviet Union at $29bn a year. Robert Taylor reports. Page 32

Quelle confirms talks with Littlewoods

Quelle, Germany's biggest mail order company, confirmed yesterday that negotiations were under way with the management of Littlewoods, the UK retail group, about its mail order business. Quelle is thought to be one of three parties interested in acquiring the Littlewoods' business. Page 22

Johnson Matthey shake-out

Johnson Matthey, the world's largest platinum marketing group, yesterday announced another £5m rationalisation programme affecting plants and employees throughout Europe. Full details of the shake-out would emerge over the next three to four months, said Mr David Davies, chairman (left). Results, Page 28

Kuwait's oil bill may be $15bn

Kuwait hopes to finance much of the expected $10bn-$15bn cost of restoring its oil production and refining capacity out of its rising oil revenues. However, Mr Hamoud al Roqba, the emirate's oil minister, said yesterday that Kuwait would "most likely" also have to return to international markets to borrow money for the programme. Page 32

Market Statistics

Companies in this Issue

Chief price changes yesterday

FRANKFURT (DM)

Rises			
Lahmeyer	785	+	15
Veba	361	+	7.2
Falls			
Asko	752	−	21
Klockner Werke	103.5	−	5
Linotype-Hell	315	−	7
Porsche	585	−	10

PARIS (FFr)

Rises			
Redoute	4675	+	115
Sommer-Allibert	1240	+	45
Falls			
Casino	827	−	15
Cegid	335.1	−	13.9
Essilor Int	308.1	−	11.4
Eurocom	570	−	19

TOKYO (Yen)

Rises			
Showa Rubber	400	+	35
Tokyo Rakutench	1090	+	167
Toyo Sanso	1620	+	200
Falls			
Ensuiko Sugar	510	−	40
Kyodo Shiryo	520	−	45
Nippon Metal	637	−	53

New York closed.

LONDON (Pence)

Rises			
Airbreak Lds	44	+	8½
Airtours	919	+	24
Borthwicks	38½	+	4
Br Aerospace	310	+	12
Park Food	355	+	22
Reuters	904	+	21
Ritz Design	200	+	15
Falls			
Argos	279	−	15
Costain	62	−	6
Eldridge Pope A	64	−	6
EI Intl	88	−	4½
Govett Oriental	304	−	14
GRE	139	−	7
Laing (J) A	226	−	17
Maxwell Comm	38	−	7
NFC	219	−	10
Nat West Bank	288	−	11
Penna	95	−	4
Proteus	195	−	28
Quillpotti	25	−	6
Steetley	282	−	10
Sun Alliance	292	−	17

Agnellis launch partial bid for Exor

By William Dawkins in Paris

ITALY'S Agnelli family yesterday launched a partial bid for Exor, the French holding company which controls the Source Perrier mineral water and cheese group.

Ifint, a Luxembourg-based holding company controlled by the Agnellis, is offering FFr1,320 per share for two-thirds of Exor, valuing it at FFr5.6bn ($1bn). This brings to a conclusion the bid speculation that has circulated since early last year, when Perrier was obliged to destroy its world stocks of 160m bottles after the discovery of traces of benzene.

Exor owns a 35 per cent stake in Perrier, the Château Margaux vineyard, a small stake in the Suez industrial and financial holding group and 120,000 sq m of prime central Parisian property.

Ifint yesterday revealed that it owned 34.5 per cent of Exor, in which it has been buying shares since the beginning of the year, just above the 33.33 per cent threshold at which it must bid for two thirds of the equity, under French takeover rules. The offer will cost Ifint FFr1.8bn, if fully taken up.

Until recently, Ifint controlled just 21 per cent of Exor's voting rights, most of which it bought from the Franco-Greek Mentzelopoulos family, which built up Exor, originally a chain of grocery stores. The bid has the Mentzelopoulos family's agreement, though it was not disclosed yesterday where Ifint bought its latest block of shares. Brokers believed it bought some in the open market.

Mr Sylvain Massot, analyst at Morgan Stanley, the financial services house in London, said the offer terms were reasonable. The offer price is a 23 per cent premium over the FFr1,070 share price at which Exor was suspended a day earlier, but a discount to its FFr9bn to FFr11bn estimated asset value.

However, Mr Massot was puzzled over why the Mentzelopoulos family was so keen to sell now, given that Exor's share price has been in steady decline since Perrier's benzene crisis.

The Agnellis have extensive French industrial holdings, though the family takes an almost invisible role in the management of the French companies in which it invests. Ifil, another Agnelli holding company, has a stake in BSN, the food group, and jointly owns Galbani, Italy's leading cheese company, with BSN.

It also has stakes in the Alcatel-Alsthom telecommunications and engineering group; the TF1 private television station; the Worms et Cie holding group; and the Saint Louis sugar and paper group.

Packer quits Fairfax bid group

By Kevin Brown in Sydney

THE FUTURE of Australia's Fairfax newspaper group was thrown open last night after Mr Kerry Packer, the Australian media proprietor, unexpectedly withdrew from the Tourang consortium, formed to bid for the group by Mr Conrad Black, the Canadian proprietor of London's Daily Telegraph.

Tourang's announcement revived talk that Mr Packer might bid for Mirror Group Newspapers, the UK publishing group 51 per cent owned by the late Mr Robert Maxwell's family.

Mr Packer's private company, Consolidated Press Holdings, declined to comment on the talk, but an associate of Mr Packer said he had not looked seriously at MGN, and was "most unlikely" to consider a bid.

Mr Packer's withdrawal follows the announcement on Wednesday of an inquiry by the Australian Broadcasting Tribunal (ABT) into claims that the acquisition of Fairfax would put the consortium in breach of cross-media ownership laws.

The tribunal can block or reverse a takeover of Fairfax, or order the disposal of a controlling stake in the Channel Nine television network held by CPH.

Tourang earlier claimed the inquiry would not affect its bid for Fairfax, put into receivership by its banks last year after failing to pay interest on debts of A$1.3bn (US$1bn).

However, Mr Daniel Colson, Tourang chairman, said Mr Packer had withdrawn because "it was inevitable we were going to have a very long inquiry, and it was going to seriously jeopardise Tourang's chances".

Mr Colson said Mr Packer had also been unwilling to face a second inquiry after appearing last month before a federal parliamentary committee investigating ownership of print industry assets.

Analysts said Mr Packer's withdrawal would improve Tourang's chances of acquiring Fairfax by removing any risk that the completion of the sale might be prevented or delayed.

The consortium is looking increasingly directionless after earlier losing Mr Trevor Kennedy, its managing director, who resigned because of claims that he had been appointed to increase Mr Packer's influence.

Tourang also plans to go ahead today with the removal from the board of Mr Malcolm Turnbull, a prominent Sydney merchant banker who was to have been an independent director of Fairfax.

Fairfax sale, Page 23

Hugo Dixon reports on the UK group's new international strategy

BT makes connections overseas

BT has often stated its ambition of becoming the world's leading telecommunications group.

Is this a farsighted policy allowing shareholders to reap large future returns? Or is it a grandiose expansionist scheme which will leave shareholders cursing the management? Such questions are being asked as investors decide whether to apply for BT shares next week in the government's £5bn ($8.9bn) sale.

BT's international strategy to date has not been particularly successful. Stockbrokers Robert Fleming Securities estimates that BT has lost about £1bn as a result of overseas expansion when the reduction in the value of its investments is combined with the cost of financing them. The lion's share is accounted for by its investments in McCaw, the US cellular group, and Mitel, the Canadian telecommunications manufacturer. BT dismissed the £1bn estimate as speculative.

Although £1bn is still small in proportion to the company's overall capitalisation of £22bn, BT's international strategy has only just begun.

Mr Iain Vallance, chairman, has been telling investors around the world in the past two weeks that the strategy is an "attacking" one.

The share prospectus says BT will explore opportunities for "significant acquisitions, joint ventures and other alliances". "Significant" is thought to mean hundreds of millions of pounds. The company declines to say if it has specific plans but there has been speculation over the years it might buy a stake in a leading long-distance US telephone company such as MCI or US Sprint.

The group's huge cash flow means it would have little problem financing such ventures. Mr Laurence Heyworth of Robert Fleming Securities forecasts that it may generate £15bn-£25bn of surplus cash over the next 10 years after capital expenditure and dividends.

BT has sought to deflect criticism of its international plans by admitting the strategy it pursued after its original privatisation in 1984 was wrong. That strategy was something of a scatter gun approach.

The company's goals are now more focused. It is concentrating on providing global telecom services to large corporations and has limited its geographical focus to North America, western Europe and Japan. It has abandoned manufacturing ambitions and decided it makes no sense to be managing little ventures, only big ones.

The new strategy was developed in 1988/89 in response to the prospect of more competition in the UK, not only from Mercury Communications but also large US telecom groups.

BT also became convinced that its multinational customers would increasingly demand global services provided by a single supplier instead of different companies in different countries.

As world regulatory barriers have dropped, the traditional national telephone monopolies are trying to become global competitive organisations. BT concluded that, if it could provide global services earlier than its counterparts overseas, it would win new business. Otherwise, its largest and most profitable customers may be poached by rivals.

"It is a wonderful strategy on paper, but they may have difficulty putting it into action," says Mr Stephen MacRae of Murray Johnstone, the Scottish investment institution.

Since the sharper strategy was developed, BT has made three significant forays abroad. The least controversial was its acquisition of Tymnet, a US-based data communications group. BT has since merged Tymnet with BT North America and expanded its network in other parts of the world.

More controversial is Syncordia, which BT established in the US earlier this year to provide voice, data and video communications services to multinationals.

The project got off to a shaky start. BT hoped to attract Germany's Deutsche Telekom and Japan's Nippon Telegraph and Telephone as partners. But it angered Deutsche Telekom by insisting the German company was a junior partner and BT has had to go it alone.

The British company's move was also viewed as hostile by other leading telephone companies, in particular MCI, AT&T of the US and France Telecom. These are now seeing if they can block BT's strategy.

The company has been criticised for paying too much for its minority stake in McCaw. The stake, bought for £907m, is now worth only £536m. With interest charges, BT's deficit is £589m.

McCaw also seems to fit the old less-focused strategy rather than the new one. McCaw provides local mobile services in the US and, given that BT owns only 20 per cent, it is difficult to see how the British company could turn it into anything more.

Given the record to date, some observers question whether the company needs an international strategy. Would shareholders not be better off if BT spent the money upgrading its network or paying larger dividends?

There is also the possibility that Oftel, the industry regulator, will seek a framework for the group's overseas activities when it reviews BT's prices next year.

There is a precedent with the water industry, where the regulator Ofwat has forced companies to "ring-fence" their basic businesses from any new activities to guard against the possibility of losing money on acquisitions.

Given the growing competition in telecommunications, BT almost certainly needs some international strategy, if only for defensive reasons. But, although it has learnt some lessons from past mistakes, the jury is still out on whether the group can achieve its ambitions.

BT's OVERSEAS INITIATIVES

Source: Robert Fleming Securities & Financial Times

COMPANY	ACTIVITY	% HELD	DATE ACQUIRED OR ESTABLISHED	COST (£M)	STATUS
CTG	North American distributor of IT products	100	1986	Not disclosed	Disposed
Mitel	Canadian telecoms manufacturer	51	1986	156	For sale
Dialcom	North America message handling	100	1986	Not disclosed	Merged with BT North America
[illegible]	Airport and telecoms services	100	1986	Not disclosed	Continuing
Gibtel	Gibraltar telecom services	50	1988	Not disclosed	Continuing
Voicecom	US voice messaging	28	1988	Not disclosed	Continuing
[illegible]	Telecom services	25	1988	Not disclosed	Continuing
Metrocast	US paging	80	1988	16	Closed
McCaw	US cellular	20	1989	907	Continuing
Tymnet	Data communications	100	1989	231	Merged with BT North America
Syncordia	Global telecommunications	100	1991	Not disclosed	Continuing

Lufthansa warns of year-end operating loss in wake of war

By Andrew Fisher in Frankfurt

LUFTHANSA, the German national airline, made a pre-tax profit of DM172m ($105m) in the third quarter, but said it would make an operating loss over the full year as a result of the weak trend in the first three months when the airline business was badly affected by the Gulf war.

The airline also warned about the consequences of increasing competition from big US carriers – Delta Airlines has just started operating into Frankfurt – and of delays caused by inadequate traffic control facilities.

Lufthansa said it would offset the operating loss through aircraft sales and transfers from reserves. At the nine-month stage, the pre-tax loss was DM159m; it gave no comparison with last year. After a loss of DM475m in January-March 1991, it made a profit of DM145m in the following three months, reflecting higher domestic traffic and favourable currency movements.

Lufthansa, in which just over half the shares are state-owned, said growth in international passenger business was behind expectations in the third quarter. This was because of the lingering impact of the Gulf war and economic weakness in the US, the UK and northern Europe. Also, competition in Germany had intensified from American carriers and lower-cost Asian airlines.

Turnover in the first nine months was 13.5 per cent higher at DM10.5bn; in the third quarter, turnover increased 18 per cent, the same as in the second three months. Passenger numbers were up 11 per cent to 18.3m, with freight rising 5 per cent to 702,000 tonnes.

The number of flights was increased by 23 per cent to 258,200, but the seat load factor of 62 per cent was four points down on last year.

Reacting to the US competition, Mr Jürgen Weber, Lufthansa's new chief executive, repeated his call for a freezing of US airlines' access to the European and German markets until German airlines were placed on the same competitive basis in North America.

Lufthansa is limited to 10 cities in the US, while US carriers have wide access to European airports. The German airline said recently it was talking with US carriers, including USAir, to try and reach a commercial and marketing alliance.

Laporte, Solvay end joint venture

By Charles Leadbeater in London and Andrew Hill in Brussels

LAPORTE, the British chemical company, and Solvay, the Belgian producer, yesterday announced plans to disband Interox, their 20-year-old peroxide joint venture, in a £500m ($880m) deal.

Interox, formed in 1970 to become the world's largest producer of hydrogen peroxide, was responsible for saving Laporte from the clutches of Burmah Oil which had launched a hostile bid.

The break-up of the joint venture, one of the oldest in the European chemicals industry, is a further step in the industry's restructuring which has gathered pace with the downturn of the past 18 months.

The deal will strengthen Solvay's position as a bulk chemical producer. It will take over Interox's hydrogen peroxide and persalts businesses which last year had a turnover of about £340m.

Laporte will acquire Interox's speciality organic peroxide and presulphates businesses which had a 1990 turnover of £65m. The deal is a further shift by Laporte from bulk commodity chemicals into speciality chemicals for niche markets.

Under the planned deal Solvay would relinquish the 25 per cent share holding in Laporte acquired in 1971. Two-thirds of the shareholding will be cancelled.

Solvay will sell the remainder to institutional investors in exchange for Laporte's acquisition of Interox's speciality chemicals interests.

Although Interox last year accounted for 33 per cent of Laporte's pre-tax profits of £109m, Mr Ken Minton, Laporte's chief executive said the deal would not hit the company's earnings in the first year and would not affect its cashflow.

Mr Minton said the loss of profits from Interox would be offset by tax gains, a lower dividend bill because of the company's reduced equity base and avoiding the need to finance its share of the £200m to be invested in Interox over the next four years.

Solvay said the deal fitted in with its strategy to concentrate on selected bulk chemicals such as soda ash. Peroxygens accounted for about 8 per cent of Solvay's overall turnover of BFr255bn ($7.7bn) in 1990.

Solvay said there had been no disagreement over the management of Interox.

Two months ago Solvay warned that 1991 profits would not match last year's result. It has decided to pay an interim dividend for 1991 of BFr100 per share unchanged from 1990.

Lex, Page 20

INTERNATIONAL COMPANIES AND FINANCE

Quelle to expand in eastern Europ

By Christopher Parkes in Bonn

QUELLE, Germany's biggest mail order company, has launched an expansion programme which will take it deep into developing markets in eastern Europe and, possibly, westwards to the UK.

Mr Klaus Mangold, the new chairman, confirmed yesterday that negotiations were under way with the management of the Littlewoods group about its mail order business.

However, he said he did not expect any conclusion to be reached before the end of the year.

Quelle is thought to be one of three interested parties in acquiring the Littlewoods' business.

Discussions have stretched over several months. The stumbling block is believed to be price. Mr Mangold said that taking a majority stake would involve an investment of "billions" of D-Marks. The family-controlled Schickedanz group, which owns Quelle, had set aside funds for acquisitions and market development.

He said Quelle's sales for the year to the end of next January were expected to exceed DM14bn ($8.66bn), compared with DM12.6bn last year, when turnover surged by 24 per cent after the unification of Germany. The current year had started strongly, but progress had slackened in the second half.

Pre-tax profits this year and for 1992-93 would probably be little changed from the DM240m recorded in 1990 mainly because of the cost of developing the business in the former DDR.

Next year the group planned to set up mail order and conventional store retailing operations in Czechoslovakia and Poland, and to enter the Hungarian market through a co-operation deal with unnamed associates.

Longer term, it intended to move into Bulgaria and Romania and develop its existing business in the Soviet Union, he said.

Meanwhile, the group is building a DM1bn distribution and administration centre in Leipzig, eastern Germany, which is expected to start operations in 1994, improving service in the five new

Mr Mangold showed hi tration with the postal in the east. Deliveries t to three weeks, he said, threatened that if there improvement by the mi next year the company have to establish its owr ery system.

The Schickedanz grou complex organisation e ing mail order, depai stores, furniture ret banking, insurance anc tory paper manufacture.

Its Quelle business, so far extends from Ge to Austria, France, Be Luxembourg and Spain west of Europe, last accounted for 85 per sales.

Anglo American lifts dividend

By Kenneth Gooding, Mining Correspondent

ANGLO AMERICAN Corporation of South Africa, that country's largest company, is lifting its interim dividend by 6 per cent to 85 cents a share and reports first-half equity accounted earnings up 10 per cent, to R1.26bn ($451.6m) from R1.15bn.

Net attributable earnings rose by 21 per cent to R655m, or 282 cents a share, from R540m, or 233 cents.

Anglo said its results continued to be affected by depressed trading conditions in South Africa and internationally, but attributable earnings for the full year, before investment surpluses, were expected to be similar to those in the previous 12 months. Equity accounted earnings, more difficult to forecast, "may be lower."

Mr Julian Ogilvie Thompson, chairman, said the likely ending of economic sanctions during the 1992 financial year would boost already encouraging levels of export growth.

"Prospects for growth in the international economy look weaker than they did earlier in the year and this is bound to have an impact on the South African upturn," he said.

The group has taken advantage of recent income tax amendments to dispose of investments held for more than 10 years to raise about R1bn to augment the cash needed for its investment programme. The full-year results will reflect these surpluses, some of which will be treated as extraordinary income.

Net pre-tax income for the half-year was R995m against R839m, and tax paid was R143m, against R162m.

Improved trading at Brierley

By Terry Hall in Auckland

THE trading performance of Brierley Investments (BIL), the New Zealand investment and trading group, in the first quarter of 1991-92 showed a good improvement over trading in the same period last year, Mr Paul Collins, chief executive told the annual meeting.

BIL's wholly-owned subsidiaries in New Zealand were "obviously well ahead" in the three months to September. He declined to indicate the performance of the listed New Zealand companies in which BIL holds stakes.

Mount Charlotte, the UK hotel group, had broken even in the period and should see a return to the occupancy levels of the 1980s, Mr Collins said.

The other UK subsidiary, the TKM motor group, was also performing satisfactorily. After the annual meeting, Mr Collins said a recovery was starting in European tourism, and this would be helped by the new US airlines using Heathrow which would seek to fill their aircraft. He was confident that occupancy rates at Mount Charlotte's hotels would be back to the 80 per cent level of the 1980s, compared with the 65 per cent since the Gulf crisis.

Mr Collins said profits of the New Zealand subsidiaries for the rest of the year would be better than in the previous 12 months, because of increased efficiencies and cost cutting. However, there would be no increase in revenue.

The domestic New Zealand market would remain weak, but there were bright spots such as the NZ$4m (US$2.26m) the group would earn from its ownership of New Zealand's biggest apple orchard.

At the meeting, Mr Bruce Hancox, chairman, suggested BIL might "revisit" its 1988 plans to buy a shareholding in the Bank of New Zealand.

Later, Mr Collins said that BIL had no interest in the bank, although the prospect of its shares becoming available was discussed regularly as part of a review of the New Zealand share market.

A conglomerate such as BIL should not have a controlling stake in a bank, which should be strong and independent, he said.

Sir Ron Brierley, founder president, said he believed Guinness Peat would be relisted on the London Stock Exchange soon.

Wills stake bought for NZ$17m

By Kevin Brown

BRIERLEY Investments (BIL) of New Zealand yesterday said it had acquired for NZ$17m (US$9.6m) a 7 per cent stake in W.D. & H.O. Wills Australia, the 67 per cent subsidiary of BAT Industries of the UK.

The announcement triggered speculation of a shake-out in the Australian tobacco industry, possibly through a bid for Wills by Brierley or Rothmans Holdings, the market leader.

Brierley said the holding had been acquired in a series of purchases since October 18. The holding was revealed after Wills issued disclosure notices under Australian Stock Exchange (ASX) rules.

Mr Don Conway, Brierley's head of Australian operations, said the group saw "good value" in Wills, but would not comment on the possibility of a takeover bid. Wills also refused to comment.

The Brierley acquisition follows forecasts of a bid for Wills by Rothmans, a 50 per cent subsidiary of Rothmans International of the UK, which controls about 37 per cent of the market.

Speculation pushed Wills' shares 11 cents higher to A$2.21 on the ASX yesterday, valuing the company at about A$293m. The shares were trading at A$1.85 when Brierley started buying.

Wills owns several leading cigarette brands, including John Player and Benson & Hedges, but its market share has fallen from more than 30 per cent to about 25 per cent in recent months.

Analysts said Rothmans was the most likely buyer of Wills, but a bid could prompt intervention from the Trade Practices Commission (TPC), which might be concerned about the diminution in competition which would result.

Philip Morris, the Australian arm of the US tobacco group, is also a possible bidder, but would face similar competition constraints to Rothmans.

Brierley might also be hoping for intervention by BAT Industries, which some analysts said might be tempted to consolidate its position in the Australian market, by moving to full control of Wills.

Brierley recently sold a 16 per cent stake in Carter Holt Harvey, the New Zealand forestry and paper company, for A$325m, and 30 per cent of Mount Charlotte, the UK hotel group, for A$550m.

Banks' sh swap detai delayed

By David Waller in Frankfurt

DRESDNER Bank, Ger second largest bank, an the largest state-con bank in France, are unl announce details of the awaited share exchang well into the new year.

Speaking after the bank announced a 1 cent rise in its "partial ing profits" in the 10 to November, Mr W Röller, the bank's chief tive, said the talks w were "progressing".

The two banks, ass with each other sinc when they appointed tor to each others' came close to complet deal in September this

However, unspecifie culties have arisen agreement is likely to lised until 1992, prob April when Dresdner h annual meeting.

Mr Röller gave no h the hitches in the tal as serious as those w to the abandonment e September of plans for lar share exchange Commerzbank and Lyonnais. The plan wa lated, but had yet to ented for clearance b pean Community com officials, he said.

The figures from D the first of the large report at this stage of were in line with a expectations. They sug banking sector is not from the second-half afflicting many large industrial companies third-quarter figures r

Partial operating pr the group – which include a contributi trading activities – DM1.57bn to DM1.76b

The bank said tota ing profits, which a disclosed, had not no at the same rate as th profit because of low ings from trading. income rose from DM DM4.4bn and com income rose from DM DM1.66bn.

The bank said it wa ing satisfactory resul full year.

Mr Röller played d bank's exposure t debt, saying it ought into the context of mately 75 countries, which provisions h made.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on 28.11.91: Pool purchase price £/MWh	Final Prices for Trading on 01.11.91: Pool purchase price £/MWh	Pool selling price £/MWh
0030	16.49	16.04	16.04
0100	16.58	15.92	15.92
0130	16.80	17.21	19.57
0200	16.80	16.08	16.08
0230	16.49	16.32	16.92
0300	16.48	15.92	16.22
0330	16.47	15.88	15.88
0400	16.44	15.87	15.87
0430	16.42	15.86	15.86
0500	16.42	15.85	15.85
0530	16.49	15.86	15.86
0600	16.49	15.87	15.87
0630	16.62	16.03	16.03
0700	16.59	16.23	16.23
0730	17.46	17.47	19.83
0800	20.39	18.62	20.93
0830	20.39	18.76	21.19
0900	20.92	25.54	28.23
0930	22.73	23.18	25.78
1000	22.73	25.54	28.22
1030	22.73	25.64	28.22
1100	22.73	25.64	28.22
1130	21.25	25.64	28.21
1200	21.26	25.64	28.21
1230	21.25	25.64	28.21
1300	21.25	25.54	28.18
1330	19.89	19.23	21.85
1400	17.34	19.23	21.65
1430	16.84	18.76	21.18
1500	16.76	18.76	21.16
1530	16.75	18.76	21.16
1600	16.76	18.66	21.05
1630	21.37	21.01	23.48
1700	40.25	21.87	24.22
1730	40.48	28.13	30.81
1800	38.65	28.14	30.80
1830	24.79	27.84	30.42
1900	21.96	27.73	30.26
1930	19.89	21.59	24.02
2000	18.11	21.59	24.03
2030	17.23	18.76	21.14
2100	17.28	18.62	21.00
2130	16.65	18.20	20.58
2200	16.61	18.20	20.66
2230	16.54	18.13	20.50
2300	16.49	16.04	16.04
2330	16.45	15.92	15.92
2400	16.46	15.90	15.90

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £18.86/MWh becomes 1.886p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The provisional Pool Purchase Price is subject to revision or correction until final pool prices are determined approximately twenty-four days after the day of trading. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Final pool prices are also capable of revision.

NGC Settlements Limited

INTERNATIONAL COMPANIES AND FINANCE

BNP to pay FFr1.25bn for 8.8% of Air France

By William Dawkins in Paris and Andrew Hill in Brussels

BANQUE Nationale de Paris (BNP), France's largest state-owned bank, is to pay FFr1.25bn ($238m) for an 8.8 per cent stake in Air France, the national airline.

The long-awaited deal comes a week after the European Commission cleared a FFr2bn injection of state capital into Air France. This brings to FFr3.25bn the amount the loss-making airline has raised from the state, out of the FFr5bn it estimates is needed over the two years to the end of 1993. It is planning to raise another FFr2bn in subordinated floating-rate notes at a date yet to be fixed.

French officials believed it was unlikely that the deal would run into resistance from the commission, given that Brussels only two days ago gave the state-owned bank Crédit Lyonnais clearance to pump FFr3.5bn into Usinor Sacilor, the public sector-owned steel maker. Competitors of both industrial companies have argued that the French government is using its state banks to provide covert subsidies, though the banks maintain that their investments in Air France and Usinor Sacilor, the French state-owned steel-producer, make commercial sense.

Last Wednesday the European Commission approved Crédit Lyonnais' purchase of a 9 per cent stake in Usinor Sacilor. Sir Leon Brittan, the EC competition commissioner, ruled in that case that the state-controlled bank's investment was not disguised state aid, on the grounds that a private investor would have been justified in buying the stake, had Usinor Sacilor shares been publicly quoted.

BNP officials argued that its deal was commercially advantageous in that it would give the bank a guaranteed fixed return on its Air France investment until it chose to receive dividends instead.

For its FFr1.25bn, BNP is to receive 12.2m bonds, which will be converted into shares at any time it chooses in the next eight years. The bonds, known as *obligations remboursables en actions* pay a fixed 6.5 per cent interest rate.

This is only the latest in a series of rejuggling of equity stakes between state-owned financial institutions and government controlled industry. Last year, BNP alone bought a 20 per cent stake in Union des Assurances de Paris, the leading insurance group, and a 10 per cent shareholding in the Pechiney aluminium and packaging group.

For historical reasons, allegations of illegal state aid to the airline industry are not examined by Sir Leon but by Mr Karel Van Miert, the transport commissioner. He and his advisers were unavailable to comment on the BNP case yesterday.

In July, when BNP first announced its intention to invest in Air France, Mr Van Miert said he could see no reason for inquiring whether the French government was behind the deal. Mr Van Miert would first have to decide whether the purchase constituted state aid, and, if it did, whether it was likely to distort competition in the EC market.

Italians make a bid for growth in France

Haig Simonian looks at the strategy behind the Agnelli dynasty's takeover bid for Exor

THE takeover bid announced yesterday by IFINT, the foreign arm of the quoted investment company controlled by Italy's Agnelli family, for Exor, the French group which controls Source Perrier, represents a further step in the diversification vigorously pursued in recent years.

The latest initiative reinforces the Agnellis' interest in France, a country close to the heart of Mr Giovanni (Gianni) Agnelli, the Fiat chairman. And it underlines their strategy to develop activities in the food business.

Food and leisure have been the two *leitmotifs* of the Agnellis' recent diversification as the family tries to spread its interests beyond Italy and the giant Fiat industrial group it controls.

The family has used two quoted vehicles to that end. Through IFIL, majority-owned by IFI and also based in Turin, it has been busily forging links with a variety of French groups.

IFIL now has a 5.8 per cent share in BSN, the big French foods group run by Mr Antoine Riboud.

Food is also a common theme in IFIL's July purchase of a 6.4 per cent stake in the Saint Louis foods and paper group, and in its purchase of 7.4 per cent of Pechelbronn, the main holding company of Groupe Worms, a leading French private financial group with interests in shipping, food and paper.

In hotels, IFIL has maintained the French theme, having established Sifalberghi, an ambitious joint venture to develop hotel and tourism ventures with the Accor hotels and leisure group.

Yesterday's bid for Exor confirmed a separate, but parallel, strategy by IFI – moving into similar businesses in France.

The moves by both IFI and IFIL have led to speculation as to how closely their investments have been co-ordinated. On the surface, a coherent policy appears to be at work. Clear business sectors have been identified, with the partners invariably coming from a country where the Agnellis feel comfortable in business and cultural terms.

But strong contradictory elements suggest that the latest move on Exor is more opportunistic.

First, the bid could result in a conflict of interests with IFIL's ally BSN. Exor is the main shareholder in Perrier, the company best known for its mineral water, which competes with mineral water brands owned by BSN, notably Badoit.

BSN may have been kept informally au fait with the Agnellis' plans. But suggestions that the Exor bid could be linked to a grand strategy whereby the water interests of Exor and BSN could be combined appear exaggerated, as it is hard to see how any deal could be struck without falling foul of monopoly rules.

Giovanni Agnelli: French interest

Moreover, IFI and IFIL are different vehicles. The Agnelli family has used IFI as one of its main financial strong boxes, the key to a large number of criss-crossing interests, notably shares in Fiat itself.

IFIL appears a different type of company, open to big institutional shareholders which could provide liquidity and, possibly, investment opportunities. Among its shareholders are: Daiwa Europe, the subsidiary of the Japanese financial services group, with 3 per cent; Kuwait's Public Institution for Social Security with a stake estimated to be between 6 and 10 per cent; and most recently, Citibank, which in April 1990 bought a 2 per cent share.

So the bid for Exor may represent an example of Italian family capitalism at work, and quick movement to take advantage of attractive investment opportunities when they present themselves.

The Agnellis and the Mentzelopoulos family, which has the biggest stake in Exor, mix socially. Nothing would be more reasonable than combining the formers' desire to diversify and internationalise with the latters' wish to reduce their exposure in Exor.

Royal Bank of Scotland drops 78%

By David Barchard in London

ROYAL Bank of Scotland, the largest bank in the UK after the Big Four clearers, yesterday reported a 78 per cent profits decline in 1991 after heavy bad loan provisions.

However, the bank raised its dividend by nearly 5 per cent and Sir George Younger, RBS chairman, said that he was confident that its strong capital base and underlying profitability would see it through until the market recovers.

Sir George said that a £28.5m restructuring of the bank's operations would bear fruit next year.

"Most of the hard work has been done and we are well placed now to go forward on our chosen path," he said. "1992 holds no fears for us."

The bank has cut its 22,000 work force by 1,300, but hopes to avoid redundancies in any further slimming down of its staff numbers.

Bad debts, mostly in the south of England, forced Royal Bank to put aside £351.1m in provisions this year, compared with £193.8m a year ago.

Mr Charles Winter, chief executive, said its performance in Scotland, where it has about a third of its lending, was much stronger.

Group assets rose from £30.09bn a year ago to £32.18bn.

Sir George said: "The impact of the current recession on many of our customers has proved more damaging than previous estimates and we have had to make an unprecedented level of bad debt provisions."

Most of the bank's divisions turned in reduced profits. UK branch banking reported profits down from £116.1m to £5.7m but corporate banking was up from £40m last time to £44.4m.

Charterhouse, its merchant banking arm, made profits of £22.3m, down from £48m. In the US, Citizens Bank, its Rhode Island subsidiary stayed in the black despite the local recession, but profits of £11.3m were down from £15.2m last time.

Financial Services division increased profits by 62.2 per cent to £14.6m.

The group's interest spread widened slightly from 1.9 per cent to 2.0 cent.

However, the cost-income ratio rose sharply to 64.1 per cent, up from 60.7 per cent last time.

The tax charge was reduced by £40m released from deferred tax payment put aside for the leasing business.

Restructuring of the bank's operations cost £28m, but Sir George Younger, chairman, said that the bank hoped that the money would be recovered from savings in the next financial year.

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MEPC net asset value falls 23% to 608p a share

By Andrew Bolger in London

MEPC, the UK's second largest property company, blamed difficult and uncertain market conditions for a 23 per cent drop in its net asset value, from 790p to 608p per share, in the year to September 30.

This was mainly due to a reduction in the value of the group's property portfolio from £3.74bn to £3.39bn ($5.96bn) and the effect of increased gearing, which rose to 70 per cent.

Mr James Tuckey, managing director, said MEPC's current development programme was ending and no new building was likely to be planned before 1993 at the earliest.

Pre-tax profits were 4.3 per cent down at £143.3m on gross income of £308m, which was up 13.5 per cent because of increasing investment portfolio income.

Sir Christopher Benson, chairman, said the group had produced a satisfactory result in the worst conditions he had experienced.

The size of the group's development portfolio continued to reduce as projects were completed and transferred to the investment portfolio or sold. Capital commitments had been reduced and now stood at £189m from £415m last year.

The group now had about 1.5m sq ft of unlet developments and said this represented potential rental income of about £35m per annum. Some 31 per cent of this unlet space was in the City of London, 44 per cent in the rest of the UK, 12 per cent in the US, 10 per cent in Australia and 3 per cent in Germany.

The value of MEPC's UK portfolio fell by 14 per cent. Values declined in all regions except for the Midlands, which was unchanged. In the south and south-east, values fell by 11 per cent and in the north by 6 per cent.

Earnings per share were 2.8 per cent down at 31.3p against 32.2p. A final dividend of 14.75p, up from 13.75p, gives a total for the year of 20p, a rise of 5.3 per cent.

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Runners in the race for Fairfax

By Kevin Brown in Sydney

THE sale of the troubled Fairfax newspaper group has been front page news in Australia since it was placed in receivership by its banks last December, after failing to pay interest on debts of A$1.3bn (US$1.02bn).

Fairfax is widely regarded as a choice media property because of its dominance of the classified advertising market in Sydney and Melbourne. It publishes the Sydney Morning Herald, the Australian Financial Review, The Age and other newspapers.

The group was run by the patrician Fairfax family for more than a century before running into trouble as a result of an over-leveraged buy-out of family shareholders by Mr Warwick Fairfax, then 29.

Three consortia lodged bids last month with Mr Des Nicholl, the receiver appointed to handle the sale by ANZ and Citibank, the banks to which Fairfax owes the most money.

It quickly became clear that the favourite was Tourang, formed by Mr Black and Mr Packer in July. The Tourang bid would have given Mr Black 20 per cent of the voting shares in Fairfax and Mr Packer 14.9 per cent.

The balance of the voting shares was to be held by domestic financial institutions, which will be asked to absorb Mr Packer's share.

The Tourang structure complied with indications that the federal government will approve up to 20 per cent foreign ownership of voting shares in Fairfax.

However, Tourang has provoked significant opposition by proposing to allocate a block of non-voting shares equal to 15 per cent of Fairfax equity to Hellman & Friedman, the US investment bank.

The other bidders are a consortium led by Mr Tony O'Reilly, proprietor of a chain of Irish newspapers and chairman of Heinz, the US food group; and Australian Independent Newspapers (AIN), which represents a group of financial institutions.

Mr O'Reilly is bidding through Australian Provincial Newspapers, an Australian company controlled by family trusts, but would allocate 20 per cent of Fairfax to Independent Newspapers, his Irish media company.

All the bids value Fairfax at between A$1.3bn and A$1.4bn, but Tourang has the advantage of an exclusive agreement to negotiate with holders of US$450m of junk bonds issued by Fairfax to US investors.

The agreement would protect the receiver and the banks from legal action by the junk bond holders, who claim they were misled by Fairfax.

All three consortia say they would float majority stakes in Fairfax after the completion of the sale.

Mr Nicholl is also considering a fourth proposal by CS First Boston, the US merchant bank, which says the group could be floated immediately for around A$1.5bn. He has given no indication of when he might announce a decision.

INTERNATIONAL CAPITAL MARKETS

DnB holds talks for purchase of Realkreditt

By Karen Fossli in Oslo

DEN NORSKE BANK, Norway's biggest bank, is negotiating the acquisition of Realkreditt, the financially-troubled Norwegian mortgage group.

The bank said the deal would boost its capital adequacy, which has sagged under the weight of its financial difficulties, to 8 per cent. This would reduce the need for further government intervention which could lead to part state ownership.

DnB said that, as part of the acquisition, it was planning a substantial capital increase which would involve the newly-established NKr4.5bn ($400m) government bank investment fund as well as institutional and other investors. Full details of the plan are to be announced on Monday.

Christiania Bank, the country's second biggest bank, has twice failed to merge with Realkreditt.

A source close to the negotiations said one of the terms of the deal being considered was that Realkreditt's owners buy shares in DnB. This would allow the state-operated bank investment fund to participate in a major DnB share issue while providing compensation to Realkreditt's owners when the company became absorbed by the bank. Also, one model being considered was that the non-performing loans held by both DnB and Realkreditt be spun off into a separate company in order to strengthen DnB after the Realkreditt acquisition.

DnB said it would submit an application today to the guarantee fund of the commercial banks for a further injection of preference capital which would be indirectly funded by the state-operated bank insurance fund. Combined, these moves are meant to boost DnB's capital adequacy to 8 per cent and allow the bank to escape state ownership.

After nine months, DnB plunged into net losses of NKr2.48bn compared with a net loss of NKr559m in the same period last year. Credit losses soared to NKr3.78bn from NKr2.64bn. The deepening crisis forced the bank's board to postpone a share issue this month.

Realkreditt suffered nine-month net losses of NKr288.4m, slightly down from a NKr303.6m net loss a year earlier. Realised and estimated credit losses fell to NKr247.6m from NKr433.9m.

Philips to be sued by Dutch shareholders

By Ronald van de Krol in Amsterdam

A DUTCH shareholders' rights group said yesterday it was to seek multi-million guilder damages from Philips, the electronics group, for allegedly misleading investors about the company's profit prospects in early 1990.

Vereniging van Effectenbezitters (VEB), said it would file a suit against Philips at a court in Hertogenbosch, near Eindhoven, the company's home base. It expected the case to be heard in 1992.

Last year, Philips reached a $9.25m out-of-court settlement with US shareholders who had similarly accused the company of making misleading profit predictions in early 1990.

The company then said it was not guilty of the charges but wanted to settle the matter to avoid lengthy and costly legal proceedings. It indicated it had no intention of making similar payments in other countries. The company declined to comment on the latest suit.

Class-action suits by shareholders are rare in the Netherlands, and there is no precedent for investors being reimbursed for damages suffered because of allegedly incomplete information provided by companies.

Mr Robert de Haze Winkelman, the VEB chairman, said 140 investors with combined holdings of "hundreds of thousands" of Philips shares were registered with the organisation as class-action claimants. He called on additional investors who had bought Philips shares between January and July 1990 to come forward.

The organisation said the average loss suffered by investors who bought Philips shares in that period was Fl 10 per share, indicating the claim for damages will run into the millions of guilders.

In January and March of 1990, Philips had forecast that full-year results would show an improvement. In May, it announced a downturn in first-quarter profits, and in July it said results would show a net loss of Fl 2bn, reflecting provisions of Fl 2.7bn. Additional restructuring provisions later widened the 1990 loss to Fl 4bn.

Bunds edge higher despite November inflation surge

By Simon London

GERMAN government bond prices edged higher yesterday in generally quiet trade following heavy falls on Wednesday, despite higher-than-expected inflation data.

The December bund futures contract on the London international financial futures exchange closed at 85.74, from an opening level of 85.66. Trading volume was a light 17,000 contracts.

The market was not unnerved by confirmation that consumer price inflation for western Germany ran at a year-on-year rate of 4.1 per cent during November, up from 3.5 per cent in October.

The market had been anticipating a 4 per cent rate of increase, but data from the länder this week had already indicated a higher final figure.

Sentiment was buoyed by an announcement that retail sales during the month fell at a year-on-year rate of 0.6 per cent in real terms. This contrasts to a rate of increase of around 10 per cent earlier in the year.

GOVERNMENT BONDS

■ JAPANESE government bond prices moved higher overnight in Tokyo, with traders hopeful that the authorities would allow easier monetary conditions.

The No 129 issue closed on a yield of 8.55 per cent, from 8.885 per cent on Wednesday.

However, dealing activity was dominated by intermediaries, with few investors entering the market.

Professionals saw the Bank of Japan's decision to inject a larger-than-expected amount of liquidity into the money market as a sign of easiermonetary policy. The bank injected Y500bn into the market yesterday, against a forecast liquidity shortage of Y120bn.

■ UK government bond prices edged higher as the market rebounded from generally negative sentiment earlier in the week.

The benchmark 11¾ per gilt maturing 2003/2007 closed up ⅛ of a point on the day, at 111⅜, for a yield of 9.94 per cent. The December gilt futures contract on Liffe closed at 93.25, up from an opening level of 93.14. Volume was very light at 7,000 contracts.

● US markets were closed for the Thanksgiving Day holiday.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
AUSTRALIA		12.000	11/01	113.7178	-0.003	9.81	9.76	10.03
BELGIUM		9.000	06/01	99.1500	+0.100	9.12	9.08	9.08
CANADA *		8.500	04/02	99.0500		8.64	8.65	8.66
DENMARK		9.000	11/00	99.5200	-0.230	9.08	8.93	8.92
FRANCE	BTAN	8.500	11/96	97.5542	+0.076	9.13	9.03	8.81
	OAT	8.500	01/01	103.4000	+0.330	8.93	8.84	8.73
GERMANY		8.25	09/01	99.5900	+0.060	8.30	8.25	8.32
ITALY		12.000	06/01	96.5800	+0.080	12.63	12.61	12.46
JAPAN	No 119	4.800	06/99	92.7909	+0.099	6.20	6.23	6.18
	No 129	6.400	03/00	103.0164	+0.172	5.86	5.90	5.84
NETHERLANDS		8.500	03/01	97.8500	+0.060	8.82	8.72	8.77
SPAIN		11.900	07/96	99.7200	+0.020	11.92	11.89	11.58
UK GILTS		10.000	11/96	100-00	+2/32	10.00	9.85	9.72
		10.000	02/01	100-10	+3/32	9.94	9.84	9.70
		9.000	10/08	94-05	+3/32	9.71	9.62	9.48
US TREASURY *		7.500	11/01	100-19	+0/32	7.41	7.38	7.52
		8.000	11/21	100-12	+0/32	7.97	7.96	7.94

London closing, *denotes New York Wednesday close. Prices: US, UK in 32nds., others in decimal. Yields: Local market standard. Technical Data/ATLAS Price Sources

S&P downgrades £1.2bn mortgage-backed deals

By Simon London

AROUND £1.2bn mortgage-backed bonds have been downgraded from triple-A to AA+ by Standard & Poor's, the US credit rating agency, following a decline in the claims-paying ability of Sun Alliance, which backed the deals.

In July, S&P downgraded the claims-paying rating of Sun Alliance. The agency said at the time that it would review the credit ratings of bonds backed by the insurer.

Sun Alliance provides credit-enhancement insurance to the seven bond issues downgraded. This form of insurance protects bondholders in the event of default on the mortgages which underly the securities.

National Home Loans, which made the loans underlying the bonds, had hoped to find additional insurance cover from a triple-A rated insurance company.

However, Mr Nigel Terrington, treasurer, said the cost of providing additional credit enhancement to maintain the credit rating of the bonds was too great.

The Mortgage Corporation, which also has bond issues backed by Sun Alliance, said it still hoped to maintain the bonds' triple-A credit rating by finding additional insurance cover.

Mortgage Funding Corporation launched a £190m triple-A issue backed by a tranche of subordinated notes which will absorb any losses in the manner of equity.

Macquarie Bank up 1.6% to A$23.4m

MACQUARIE Bank, the Australian merchant bank, has improved first-half net profits by 1.6 per cent to A$23.4m (US$18.5m), Reuter reports from Sydney.

"The diversity of Macquarie Bank's businesses has insulated the bank from difficulties in particular markets," Mr David Clarke, chairman, said.

Although the contribution by corporate banking improved, it continued to be affected by provisions for problem loans.

"Write-offs and specific provisions were made in the period totalling A$5.6m, and non-accrual loans decreased to A$9.7m," Mr Clarke said. He did not expect the level of partially-accruing loans to rise from current levels of around A$55.7m.

FT/AIBD INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Closing prices on November 28

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ABN 9 1/8 94	200	105½	106⅛		6.78
ALBERTA PROVINCE 9 3/8 95	600	108⅛	108⅝	+⅛	6.86
AUSTRIA 8 1/2 00	400	104	104⅜		7.81
BANK OF TOKYO 8 3/8 96	100	103⅛	103⅝		7.45
BELGIUM 9 5/8 98	250	110	110⅜		7.63
BFCE 7 3/4 97	150	102⅛	102⅝		7.24
BNP 8 5/8 96	300	105⅛	105⅝		6.41
BRITISH GAS 8 3/8 99	350	103⅞	104⅜		7.71
CANADA 9 96	1000	107⅞	108⅛		6.79
CARCO 9 1/4 96	650	103⅛	104⅛		8.40
CCCE 9 1/4 95	300	107⅞	108⅛		6.47
COUNCIL EUROPE 8 96	100	103⅝	104⅛		7.05
CREDIT FONCIER 9 1/2 99	300	110⅛	110⅝	+⅛	7.62
DENMARK 8 1/4 94	150	104½	105		6.38
DENMARK 9 1/4 95	1571	107½	107⅞		6.59
ECSC 8 1/4 96	193	105	105⅜		7.03
EEC 8 1/4 96	100	104½	104⅞	+⅛	7.04
EIB 7 3/4 96	250	103⅛	103⅝	+⅛	6.92
EIB 9 1/4 97	1000	109⅛	109⅝	+⅛	7.25
ELEC DE FRANCE 9 98	200	107	107⅜		7.55
EURO CRED CARD TST 9 94	325	103⅞	104⅜		7.49
EUROFIMA 9 1/4 96	100	107⅞	108⅛		7.17
EXPORT DEV CORP 9 1/2 98	150	109⅝	110		7.58
FINLAND 7 7/8 97	200	102⅞	103⅛		7.33
FINNISH EXPORT 9 3/8 95	200	108⅛	108⅝	+⅛	6.89
FORD CAPITAL 9 3/4 97	250	105⅛	105⅞	+⅛	8.47
GEN ELEC CAPITAL 9 3/8 96	300	107½	108		7.35
GMAC 9 1/8 96	200	104⅛	104⅝		7.93
GUINNESS FINANCE 8 94	200	103⅜	103⅞		6.53
IBM INTL FIN 7 3/4 94	200	103½	103⅞		6.11
IND BK JAPAN FIN 7 7/8 97	200	101⅛	101⅝		7.60
INTER AMER DEV 7 5/8 96	200	102⅛	102⅝		7.04
ITALY 8 1/2 94	1500	105⅝	106	-⅛	6.27
JAPAN DEV BK 8 94	150	103⅞	104⅛		6.24
KANSAI ELEC PWR 10 96	350	109⅝	110⅛		7.28
LTCB FIN 8 97	200	101⅛	101⅝		7.72
NEW ZEALAND 9 94	850	106	106⅜		6.53
NIPPON CRED BK 10 3/8 95	150	108⅝	109⅛	-⅛	7.45
NIPPON TEL & TEL 9 3/8 95	200	107⅝	108	+⅛	6.76
ONTARIO 8 1/2 01	600	102⅛	102⅝		8.13
ONTARIO HYDRO 11 5/8 94	200	110⅝	111		6.44
OSTER KONTROLLBANK 8 1/2 01	200	103⅛	103⅝		7.98
PETRO-CANADA 7 1/4 96	300	100⅝	101⅛		7.07
QUEBEC HYDRO 9 3/4 98	150	109	109⅜	+⅛	7.98
QUEBEC PROV 9 98	200	105⅛	105⅝		7.93
SAINSBURY 9 1/8 96	150	106½	107⅛		7.47
SAS 10 99	200	105⅞	106⅜		8.88
SBAB 9 1/2 95	500	108	108⅜		6.83
SNCF 9 1/2 98	150	109½	110		7.61
STATE BK NSW 8 1/2 96	200	103⅞	104½		7.45
SWEDEN 8 1/8 94	150	104⅛	104⅝		6.33
TOKYO ELEC POWER 8 3/4 96	300	106⅛	106⅜		7.13
TOKYO METROPOLIS 8 1/4 96	200	104½	105		7.13
WORLD BANK 8 3/8 99	1500	105⅛	105⅝		7.64
WORLD BANK 8 3/4 97	1500	107⅞	108⅛		7.05
XEROX CORPN 8 3/8 96	100	101⅞	102⅜	+⅛	7.88

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
BAPROVEN 11 1/8 95	200	101⅛	101½	-⅛	10.69
BK ECON USSR 7 96	750	70⅛	70⅝	+⅛	17.20
BULGARIAN TRADE BK 8 1/2 96	200	84⅝	85⅛		13.09
CZECH OBCHODNI BANKA 10 95	350	96⅝	96⅞		11.13
DEUTSCHE FINANCE 7 1/2 95	1000	97	97		8.61
EIB 5 3/4 98	400	87½	87½		8.36
EIB 6 7/8 95	300	96⅛	96⅝	+⅛	7.97
EUROFIMA 6 1/4 98	400	89⅛	89⅝		8.39
FIRST INTERSTATE 5 3/4 96	100	85	85	+½	10.99
IND BK JAPAN FIN 5 5/8 96	200	88⅛	88⅝		8.80
IND DEV BK INDIA 6 3/8 94	200	88⅛	88⅝		11.10
LUFTHANSA INT FIN 5 7/8 98	500	86⅞	86⅞		8.62
NACIONAL FINANCIERA 11 95	150	101	101½		10.60
NAT BK HUNGARY 8 96	200	90½	90⅛		10.56
QUEBEC HYDRO 6 3/4 99	300	89⅞	89⅞		8.66
SWEDEN 6 1/8 98	300	89⅛	89⅝	+⅛	8.38
WORLD BANK 0 15	2000	18⅛	18⅝	-⅛	7.33
WORLD BANK 5 3/4 96	300	90⅛	90⅞		8.43
WORLD BANK 7 1/8 95	500	97⅛	97⅝	+⅛	8.10

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ASIAN DEV BANK 6 10	100	87½	88⅛		7.23
AUSTRIA 4 5/8 98	100	87½	88		7.19
CHUBU ELEC POWER 6 3/4 01	300	99	99½		6.89
COUNCIL EUROPE 4 3/4 98	250	88	88⅛		7.21
EEC 5 1/2 00	100	89	90		7.20
EIB 6 1/2 98	600	98⅛	98⅝	-⅛	6.80
ELEC DE FRANCE 7 1/4 06	100	101⅛	102	-⅛	7.10
FINLAND 5 3/8 95	150	93½	94½	-½	7.34
GENERAL MOTORS 7 1/2 95	100	99½	100⅛	+1½	7.65
JAPAN DEV BK 5 1/2 94	100	95⅛	96	+¼	7.92
KOBE 6 3/8 01	240	96	97		6.95
NEW ZEALAND 4 7/8 99	200	86⅛	86½		7.41
QUEBEC HYDRO 5 08	100	74½	75		7.81
WORLD BANK 5 03	150	84⅛	85⅛	-¼	7.01
WORLD BANK 7 01	600	101½	101⅞		6.77

YEN STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
AUSTRIA 4 3/4 94	30000	98	98⅛		5.76
CREDIT FONCIER 5 1/4 94	20000	98	98⅝		5.98
DENMARK 7 95	40000	103⅛	103⅝		5.79
EIB 4 5/8 94	40000	97⅛	97⅝		5.68
ELEC DE FRANCE 5 5/8 96	20000	99	99½	+¼	5.86
FINLAND 6 3/4 96	50000	102⅛	102½	+¼	6.13
INTER AMER DEV 7 1/4 00	30000	107⅝	108	+⅛	6.06
KANSAI ELEC PWR 4 5/8 94	60000	96⅞	97⅛		6.09
NIPPON TEL & TEL 5 7/8 96	50000	99½	99⅞	+⅛	5.99
NORWAY 5 1/8 95	50000	98⅛	98⅝	+⅛	5.75
SNCF 6 3/4 00	30000	104⅛	104⅝	+¼	6.06
SWEDEN 5 5/8 95	20000	98⅞	99⅛	+¼	5.99
WORLD BANK 6 3/4 00	50000	104⅛	105	+¼	6.00

OTHER STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
BAYERISCHE VEREINS INT 7 94 LFr	600	94	95		9.64
COPENHAGEN TEL 8 5/8 96 LFr	600	98	98⅝		9.22
WORLD BANK 8 96 LFr	1000	96½	97½		9.08
ABN AMRO HOLDING 9 1/4 01 Fl	750	102½	102⅞		8.83
UNILEVER 9 00 Fl	500	103⅛	103⅝		8.44
ALBERTA PROVINCE 10 5/8 96 C$	500	105⅞	106⅛	+⅛	8.91
BELL CANADA 10 5/8 99 C$	150	105⅛	105⅝	+¼	9.60
BRITISH COLUMBIA 10 96 C$	500	103⅞	104	+⅛	8.93
EIB 10 1/8 98 C$	130	104⅝	105⅛	+¼	9.11
ELEC DE FRANCE 9 3/4 99 C$	275	103⅛	103⅝	+⅛	9.16
FORD CREDIT CANADA 10 94 C$	100	102⅝	103	+⅛	8.93
GEN ELEC CAPITAL 10 96 C$	300	103⅞	104⅛	+⅛	8.93
KFW INT FIN 10 01 C$	400	102⅞	103⅛	+⅛	9.50
NIPPON TEL & TEL 10 1/4 94 C$	200	104⅝	105⅛	+⅛	9.36
ONTARIO HYDRO 10 7/8 99 C$	500	106⅞	107⅛	+⅛	9.53
OSTER KONTROLLBANK 10 1/4 99 C$	150	104⅞	105⅛	+⅛	9.34
QUEBEC PROV 10 1/2 98 C$	200	104⅞	105⅜	+¼	9.51
BELGIUM 9 1/8 96 Ecu	1250	99⅝	100		9.14
CREDIT LYONNAIS 9 96 Ecu	125	98	99⅛		9.54
DENMARK 7 5/8 96 Ecu	250	92⅞	93⅛	+⅛	9.81
EEC 7 5/8 94 Ecu	200	96⅛	96⅝		9.59
EIB 10 97 Ecu	1125	104⅛	104⅝	+⅛	8.96
FERRO DEL STAT 10 1/8 98 Ecu	500	103⅞	104⅛	+⅛	9.26
ITALY 10 3/4 00 Ecu	1000	109⅛	109⅝	+⅛	9.11
UNITED KINGDOM 9 1/8 01 Ecu	2750	100⅞	101		8.97
BP AMERICA 12 1/4 96 A$	100	107⅞	108⅛		9.90
COMM BK AUSTRALIA 13 3/4 99 A$	100	117⅛	117⅞		10.38
EKSPORTFINANS 12 3/8 95 A$	75	109	109½		9.21
EUROFIMA 14 5/8 94 A$	75	111⅛	111⅞		9.15
MCDONALDS CANADA 15 95 A$	100	114⅝	115⅛		9.90
NAT AUSTRALIA BANK 14 3/4 94 A$	150	110⅛	110⅝		9.41
STATE BK NSW 14 1/4 99 A$	100	117⅛	117⅞		10.83
UNILEVER AUSTRALIA 12 98 A$	150	108⅛	108⅝		10.15
VOLKSWAGEN INTL 15 94 A$	100	110⅞	111⅛		9.62
ABBEY NATL TREAS 13 3/8 95 £	100	106⅛	106⅝		10.98
ALLIANCE & LEICS 11 3/8 97 £	100	100	100⅜		11.34
BRITISH GAS 12 3/4 95 £	300	105⅛	105⅝		10.74
DEUTSCHE BK FIN 11 94 £	225	100⅝	101		10.62
EIB 10 97 £	536.5	98⅛	98⅝		10.44
FINLAND 10 1/8 97 £	100	98⅛	99⅛	+⅛	10.42
INTER AMER DEV 11 3/8 95 £	75	102⅛	102⅝		10.52
ITALY 10 1/2 14 £	400	97⅛	97⅝	+⅛	10.83
LAND SECS 9 1/2 07 £	200	83⅞	84⅛	+¼	11.80
NORWAY 10 1/2 94 £	200	99⅞	100⅛		10.52
ONTARIO 11 1/8 01 £	100	101⅝	102	+⅛	10.82
SEVERN TRENT 11 1/2 99 £	150	101⅛	101½	+⅛	11.24
SKANDINAVISKA ENSK 13 1/8 95 £	100	105⅛	105⅝		11.11
TOKYO ELEC POWER 11 01 £	150	101⅞	102⅛	+⅛	10.67
WORLD BANK 11 1/4 95 £	100	102	102½		10.48
ABBEY NATIONAL 0 96 NZ$	100	63⅝	64⅛	-¼	9.77
BNP 12 96 NZ$	50	109⅝	110⅛	-¼	9.27
CEPME 10 95 FFr	2000	101⅝	102	+⅛	9.41
ELF-AQUITAINE 9 99 FFr	600	98⅛	98⅝		9.31
EURATOM 7 5/8 98 FFr	500	92	92⅝		9.29

FLOATING RATE NOTES	Issued	Bid	Offer	C.cpn
ALLIANCE & LEICS 0.08 94 £	300	99.49	99.59	10.6425
BANCO ROMA 0.03 01	200	91.57	92.60	6.4675
BELGIUM 1/16 97 DM	500	99.97	100.07	9.5008
BFCE -0 02 96	350	99.97	100.07	4.9175
BNP 05	300	95.33	96.21	5.5625
BRITANNIA 1/10 96 £	150	99.10	99.29	10.6625
CCCE 06 ECU	200	99.93	100.03	10.1563
CITIZENS FED 0.15 96	100	99.42	99.88	5.9625
CREDIT FONCIER -1/16 98	200	99.93	100.03	5.3438
DENMARK -1/8 96	1000	99.80	99.90	5.6875
DRESDNER FINANCE 1/32 98 DM	1000	99.94	100.04	9.5156
ELEC DE FRANCE 1/8 99	400	100.58	100.93	6.0625
FERRO DEL STAT 94	200	100.61	100.84	5.9375
HALIFAX 1/10 94 £	200	99.95	100.04	10.5375
IRELAND 98	300	99.49	99.59	6.4408
ITALY 00	500	100.38	100.47	6.3750
LEEDS PERMANENT 1/8 96 £	200	99.29	99.45	10.4375
LLOYDS BANK 1/10 PERP S.3	600	81.00	82.41	6.0875
MITSUI FIN ASIA 1/8 96	100	99.57	99.71	5.9375
MORGAN (JP) 1/4 97	250	99.00	99.79	5.2500
NAT WEST FIN 3/16 05	400	91.41	92.58	5.5000
RENFE 98	500	99.85	99.95	5.0000
SOCIETE GENERALE 96	300	99.47	99.57	5.6250
STATE BK VICTORIA 0.05 99	125	98.49	98.74	6.4875
UNITED KINGDOM -1/8 96	4000	99.95	99.98	5.2500
YORKSHIRE BS 1/10 94 £	165	99.57	99.67	10.5063

CONVERTIBLE BONDS	Issued	Conv. price	Bid	Offer	Prem.
BURTON GROUP 4 3/4 01 £	110	2.38	125¼	127	
CHUBB CAPITAL 6 98	350	86	100⅞	101⅞	+30.95
DAI-ICHI KANGYO 3 7/8 04	300	3251.8	97½	98⅛	+12.59
EASTMAN KODAK 6 3/8 01	300	50.67	101⅞	102⅝	+10.47
GOLD KALGOORLIE 7 1/2 00	65	1.0554	78⅞	79⅞	+43.75
HANSON 9 1/2 06 £	500	2.5875	95	95⅞	+21.39
HAWLEY 6 02 PREF	400	19.1	80	82⅞	
HILLSDOWN 4 1/2 02 £	150	3.97	115⅛	116	
LAND SECS 6 3/4 02 £	84	6.72	83⅛	84⅛	+12.79
LASMO 7 3/4 05 £	90	5.64	76⅝	77⅛	+47.52
MITSUI BANK 2 5/8 03	200	2337½	85½	87⅞	+8.91
MOUNT ISA FIN 6 1/2 97	100	2.283	90⅛	91⅞	+21.73
OGDEN 6 02	85	39.077	75⅛	76⅞	+61.39
SMITH & NEPHEW 4 02 £	90	1.775	118⅛	119⅝	+53.07
SUMITOMO BANK 3 1/8 04	300	3606.9	76⅛	77⅛	+17.53
TEXAS INSTRUMENTS 2 3/4 02	300	82⅞	87⅛	88⅛	
THORN EMI 5 3/4 04 £	103	7.45	117⅞	118⅛	+12.40

* No information available - previous day's price
‡ Only one market maker supplied a price

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day = Change on day.
FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread = Margin above six-month offered rate (three-month $above mean rate) for US dollars. C.cpn = The current coupon.
CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price = Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem = Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

INTERNATIONAL CAPITAL MARKETS

SA futures trade set to open to foreign investors

By Philip Gawith in Johannesburg

NON-RESIDENTS will be allowed to trade on the South African Futures Exchange (Safex) for the first time on Monday, but a rush of new participants is not expected.

The Reserve Bank, the central bank, decided to allow foreign investment in Safex in September. The main impact on foreign trading will be to boost liquidity on Safex, which is just over a year old, and possibly also on the Johannesburg Stock Exchange (JSE).

Some stock market sources predict that futures volumes will be one-third higher by the end of the first quarter of 1992.

Non-residents will be allowed to invest via the financial rand, a fixed pool of investment currency which only foreigners may trade in. The financial rand trades at a discount – currently about 9 per cent – to the commercial rand and hence allows investment for a lower capital outlay.

Mr Patrick Birley, assistant general manager of Safex, said the main attractions to foreigners of the South African market would include the ability to hedge existing investments in South African shares, and the facility to speculate on the gold index of the South African Stock Exchange.

Mr Birley said although a great deal of foreign interest had been shown in Safex, what this translated into would only be evident after Monday. "We feel confident there will be a reasonable degree of activity. We're not expecting a huge rush, but there should be a steady inflow," he said.

Most of the interest in Safex has been from European countries, particularly the UK, but also Germany and Switzerland. There has been some interest from the US and Far East.

Only foreign clients – as opposed to firms – will be able to register with Safex, although a foreign broker could register as a client with a local broker.

Safex currently offers six contracts, with the bulk of activity in the three index contracts – the All Share, Industrial and All Gold indices. The other three contracts relate to the gold price, as well as short- and long-term interest rates.

In September and October the volume of futures contracts traded on Safex was about 50,000 per month, down from about 70,000 contracts per month in the middle of the year, and highs of more than 100,000 during three months of 1990.

Sharp divisions between gilts winners and losers

Simon London examines the rates of return among government bond market-makers in London

WHILE the gilts market as a whole returned to profit last year, the spoils were by no means evenly distributed among market-makers.

The annual accounts of the 18 gilt-edged market-makers, some of which have only recently been filed at Companies House, show a sharp division between winners and losers.

Bankers note that the accounts are not necessarily an exact guide to the level of profitability. For example, figures for UBS Phillips & Drew include Eurosterling bond business for just the second half of the year, while others include a full-year contribution. The figures, however, provide a rough guide to relative profitability of the firms.

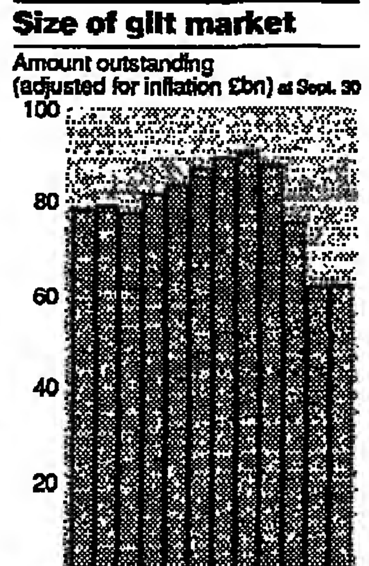
By far the largest pre-tax profit last year, £13.4m, was posted by Barclay's de Zoete Wedd Gilts. This is the largest annual profit made by any of the gilt-edged market-makers since Big Bang, although the company also includes Eurosterling bond trading in its results. Profits of over £8m were also posted by Lehman Brothers, Greenwell Montagu and Salomon Brothers.

These four firms also have the most capital committed to the market, together accounting for nearly 45 per cent of total capital employed in gilt-edged market-making.

In terms of return on capital, though, the most profitable

Size of gilt market

Amount outstanding (adjusted for inflation £bn) at Sept. 30



Source: Bank of England and Baring Brothers

firm was BT Gilts, the market-maker owned by Bankers Trust, the US investment bank, which showed a 39 per cent return on capital before tax. The performance justifies the parent's decision to increase the capital base by 40 per cent last year.

By contrast, the amount of capital committed to the gilts market has fallen from £600m at the time of Big Bang to around £400m today.

The market as a whole made a pre-tax profit last year of just over £50m, a return on capital of 12.5 per cent. According to market participants, the current year has been more profitable than the last, with a return to gilt issuance by the government and a less volatile market contributing to improved conditions.

Bankers Trust is a vigorous exponent of arbitrage trading, taking advantage of pricing anomalies between the cash and futures markets and different maturity bonds.

The style of business does not demand a huge investment in sales staff, which is reflected in the firm's relatively low overheads. It is a style admired by outsiders: Deutsche Bank recently recruited Mr Chris Fleming from Bankers Trust as joint head of its gilts business, which should start trading in the spring.

However it is not the only way to make money. Other firms with a high return on capital were BZW and Lehman Brothers, both of which have a different style of business.

While Greenwell Montagu and Salomon Brothers made substantial profits, return on capital was lower, at 21 and 14 per cent respectively.

Perhaps surprisingly, Salomon Brothers had more capital committed to the gilts market than any other firm in 1990. Its capital base was more than doubled in 1989, and stood at £59m at the end of last year. This allows the firm to take large positions over long periods, either on its own book – known as proprietary trading – or on behalf of clients.

However, while the market overall returned to profit last year, not all market-makers made money. Five firms – Baring, NatWest, CSFB, Kleinwort Benson, UBS Phillips & Drew – posted a pre-tax loss.

In terms of return on capital, Baring Sterling Bonds was the worst performer, losing £2.5m before tax on a capital base of £6m. The figure is misleading, though, because, like BZW, the Baring results include Eurosterling bond trading, which lost £2.3m during the year before overheads and tax. The gilts business alone made a £3.1m dealing profit.

Excluding Baring, the worst result was posted by NatWest Gilts, which lost £3.2m on a capital base of £11.6m, a negative return on capital of 28 per cent.

The loss was lower than the £4.4m deficit in 1989, but NatWest Gilts has now made a pre-tax loss every financial year since 1987 – as have Kleinwort Benson and UBS Phillips & Drew.

Firms which acted to pare costs in 1990 include Kleinwort Benson, which trimmed overheads from £8m to £4.3m, and Warburg, which cut overheads from £13.5m to 10.7m. By contrast, overheads at NatWest and Baring rose last year by £1m and £900,000 respectively compared with 1989.

Overhead figures also show a clear divide between firms which concentrate on sales and those which are oriented towards trading. Those firms which employ a large number of sales staff have the highest overhead costs: BZW, UBS Phillips & Drew, Warburg, and Greenwell Montagu.

Firms such as Bankers Trust, which are focused on trading, have much lower costs. While UBS Phillips & Drew reported overheads of £13.3m for the year, Bankers Trust showed costs of £2.3m, although its capital base was slightly higher.

However, in general, the divide between sales and trading-driven market-makers is diminishing. Most firms say they now aim to strike a balance between the two sides of the business. For example, Lehman Brothers and Daiwa, the two most profitable overseas firms, aim to maintain around twice the number of sales staff as traders.

Last year's results will be scrutinised by parent banks anxious to make a healthy return on their capital investment in the UK government bond market. Eleven market-makers have closed since 1986 as parent banks saw losses as unacceptable.

The figures will also interest Deutsche Bank and Nikko Securities, the two overseas players committed to joining the gilts market next year.

RESULTS OF GILT-EDGED MARKET MAKERS 1990

Firm	Pre-tax profit £(000)	Capital base £(000)	Return on capital %
Aitken Campbell	247	833	29
BZW	13,439	43,429	31
Baring	(2,539)	6,055	-42
BT Gilts	7,865	20,037	39
CSFB Gilts	(758)	14,975	-0.5
Daiwa	4,059	15,000	27
Gerrard & National	3,350	13,617	25
Goldman Sachs	571	29,168	2
Greenwell Montagu	8,648	39,906	22
James Capel	1,027	25,028	4
JP Morgan	1,226	8,514	14
Kleinwort Benson	(703)	12,557	-6
Lehman Brothers	9,304	28,315	33
NatWest Gilts	(3,234)	11,678	-28
Nomura	439	19,420	2
Salomons	8,378	59,859	14
UBS Phillips & Drew	(754)	19,036	-4
Warburg	4,433	26,707	17

Source company accounts

Amoco Canada details C$2bn debt refinancing

By Robert Gibbens in Montreal

AMOCO CANADA Petroleum, a leading oil and gas group, is refinancing C$2bn (US$1.7bn) of debt in two stages next year, in a move aimed at making a substantial cut in its interest costs.

The company, which is the country's largest natural gas producer, will take on C$2bn in new bank debt and issue commercial paper, all guaranteed by its US parent, Amoco of Chicago.

These funds will be used to retire most of the remaining debt incurred in the C$5bn acquisition of Dome Petroleum in 1988. The Dome acquisition debt to be repaid includes nearly C$2bn of term and subordinated notes held internationally.

As a result of the restructuring, former Dome Petroleum lands will no longer be pledged as debt collateral.

Amoco Canada has steadily lost money since the Dome acquisition because of heavy financial charges, declining natural gas prices, and poor markets for heavy oil.

It plans to spin off part of its oil and gas operation into a new publicly-held company.

Brazilian private sector prepares to tap the Euromarkets

INTERNATIONAL BONDS

A NUMBER of Brazilian companies are preparing to tap the Eurobond market following the successful return to the public marketplace of state-owned companies earlier this year, writes Tracy Corrigan.

The surge of paper appears not to have been slowed by the poor performance of Brazil's outstanding commercial debt. A restructuring of Brazil's bank debt has still not been agreed, and prices have fallen to 24 cents in the dollar from a high of 40 cents in September.

Nevertheless, the market remains receptive to new Eurobonds. Chase Investment Bank is working on a $100m deal for Copene, a petrochemical company, which could emerge in the next few weeks. Morgan Grenfell has arranged a $40m issue of two-year floating-rate notes for Ripasa, a paper company. These are currently being marketed. Banco Frances e Brasileiro, partly owned by Crédit Lyonnais, has launched a private placement via Credit Suisse First Boston.

In addition, Banco Bradesco, the Brazilian bank, is believed to be preparing a $50m-$100m issue via Citicorp. Citicorp in London declined to comment.

Since the market was reopened in July, Petrobras, the state oil company, has completed three dollar deals and one Ecu deal, while the mining company, CVRD, and the telephone company, Telebras, have also raised dollar funding. Odebrecht, construction company, has recently completed a $50m private placement.

New issue activity in the Eurobond market was subdued yesterday because of the Thanksgiving Day holiday in the US, but a number of issues emerged in continental European markets.

The City of Helsinki launched a DM150m offering of 10-year bonds, which suffered as a result of the poor perception of Finnish credit-worthiness. The devaluation of the Finnish markka earlier this month highlighted the troubles of the Finnish economy, and the country's credit rating is now under review for possible downgrade. Further, the 8½ per cent coupon over 10 years was felt to be unattractive to retail investors, who can get 9 per cent coupons on five-year bonds, because of the inverted shape of the German bond yield curve.

The deal fell outside 2½ point fees to trade at less 2.80 bid.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
D-MARKS						
Commerzbank Overseas Fin.(a)†	300	zero	46.30	2001	-	Commerzbank AG
City of Helsinki(a)†	150	8½	101.80	2002	2½/1½	Deutsche Girozentrale
SWISS FRANCS						
City of Montreal(a)†	125	7¼	101⅝	2002	-	Wirtschafts & Privatbk.
Sumitomo Light Metal(b)**♦	85	4⅛	100	1995	-	Banca Del Gottardo
Cleanup Corp(c)**§	50	6	100	1996	-	Daiwa (Switz)
Cleanup Corp(d)**♦	50	4¼	100	1996	1½	New Japan Secs.(Switz)
GUILDERS						
VSB Groep NV(e)†	150	9	100¼	1999	1/⅝	KBW Effectenbank BV

**Private placement. §Convertible. ♦With equity warrants. ‡Floating rate note. †Final terms. a) Non-callable. b) Callable 19/6/93 at 101¼%. c) Coupon payable semi-annually. Non-callable. d) Put option 31/3/94 at 108¼% to yield 7.617%. e) No early redemption, no tax calls.

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

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	EQUITY GROUPS & SUB-SECTIONS. Figures in parentheses show number of stocks per section	Thursday November 28 1991: Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%)	Est. P/E Ratio (Net)	xd adj. 1991 to date	Wed Nov 27: Index No.	Tue Nov 26: Index No.	Mon Nov 25: Index No.	Year ago (approx): Index No.
1	CAPITAL GOODS (180)	755.41	-0.4	9.17	6.45	13.89	33.34	758.22	763.18	755.97	718.10
2	Building Materials (23)	902.33	-1.3	8.24	6.90	16.01	41.75	914.04	925.51	918.27	985.47
3	Contracting, Construction (30)	999.99	-0.6	7.97	7.32	17.92	51.30	1005.62	1006.21	1005.68	1159.44
4	Electricals (10)	2384.22	-0.3	10.11	6.20	12.59	98.23	2390.93	2415.97	2392.10	1877.26
5	Electronics (25)	1639.45	......	11.31	5.82	11.24	52.97	1638.95	1675.10	1648.85	1578.20
6	Engineering-Aerospace (8)	325.45	+0.6	17.22	7.98	7.01	18.52	323.41	326.79	325.34	389.76
7	Engineering-General (43)	458.41	-0.2	10.63	5.46	11.60	17.78	459.41	463.68	459.52	358.05
8	Metals and Metal Forming (9)	315.77	-0.4	2.08	11.15	–	25.21	317.09	318.21	317.64	401.85
9	Motors (12)	300.36	-0.6	8.62	8.02	15.41	17.56	302.28	304.59	303.58	282.28
10	Other Industrial Materials (20)	1520.07	-0.2	7.91	5.39	15.03	58.79	1522.54	1515.73	1495.45	1230.38
21	CONSUMER GROUP (190)	1522.43	-0.7	7.60	3.69	16.27	38.15	1533.59	1545.80	1534.82	1203.39
22	Brewers and Distillers (22)	1860.12	-0.9	8.36	3.63	14.54	39.79	1877.66	1894.06	1891.92	1526.85
25	Food Manufacturing (19)	1179.20	-0.4	9.75	4.28	12.67	33.08	1184.47	1191.30	1181.37	1011.42
26	Food Retailing (17)	2345.16	+0.1	9.93	3.54	13.08	58.56	2342.04	2335.25	2284.82	2235.69
27	Health and Household (23)	3897.63	-1.0	5.28	2.47	21.75	72.62	3935.89	3983.23	3973.86	2433.54
29	Hotels and Leisure (24)	1287.91	-0.7	7.92	5.47	15.63	45.61	1296.55	1314.51	1310.52	1232.60
30	Media (26)	1440.48	+0.3	7.30	4.93	17.90	47.66	1435.80	1444.92	1428.30	0.00
31	Packaging, Paper & Printing (27)	741.77	+0.5	7.28	4.48	16.65	24.43	738.36	737.36	730.28	510.50
34	Stores (32)	971.53	-1.7	7.73	3.82	16.98	26.74	988.03	995.81	983.22	801.89
35	Textiles (10)	610.48	-0.7	7.57	5.09	16.85	21.18	615.00	623.93	621.66	428.43
40	OTHER GROUPS (111)	1198.04	-0.2	9.96	5.48	12.67	38.39	1200.49	1207.34	1198.59	989.44
41	Business Services (12)	1373.62	-0.9	7.24	4.76	17.54	46.93	1385.64	1384.50	1375.85	0.00
42	Chemicals (21)	1381.36	-0.2	7.21	5.31	17.23	54.15	1384.76	1392.69	1380.65	1037.61
43	Conglomerates (11)	1371.25	-2.0	10.54	7.64	11.51	38.95	1399.83	1429.12	1410.26	1287.79
44	Transport (14)	2279.63	-0.5	5.59	4.95	23.59	79.12	2291.94	2299.76	2281.99	1824.39
45	Electricity (16)	1158.08	-0.8	15.09	5.66	8.63	27.53	1167.66	1175.64	1166.05	0.00
46	Telephone Networks(4)	1445.07	+1.6	10.86	4.34	12.02	28.34	1422.19	1419.26	1408.02	1148.90
47	Water(10)	2222.02	-0.8	18.88	7.06	5.85	131.43	2240.53	2260.92	2235.65	2101.69
48	Miscellaneous (23)	1752.94	-0.6	5.72	5.65	24.04	73.58	1764.18	1778.38	1786.63	1514.68
49	INDUSTRIAL GROUP (481)	1227.62	-0.5	8.65	4.76	14.48	37.70	1233.75	1242.38	1232.96	1020.15
51	Oil & Gas (19)	2244.52	-1.1	11.51	6.25	11.49	104.27	2269.10	2287.38	2306.96	2371.42
59	500 SHARE INDEX (500)	1315.94	-0.6	8.98	4.93	14.06	42.97	1323.45	1332.87	1325.37	1130.60
61	FINANCIAL GROUP (91)	726.33	-1.5	–	6.43	–	33.01	737.52	748.81	742.91	711.60
62	Banks (9)	839.16	-2.2	4.75	6.37	41.25	37.46	857.88	879.47	874.54	751.38
65	Insurance (Life) (7)	1451.66	-0.3	–	5.83	–	63.68	1456.25	1458.16	1435.56	1303.16
66	Insurance (Composite) (6)	514.08	-3.3	–	8.54	–	32.94	531.58	541.77	538.38	628.37
67	Insurance (Brokers) (10)	987.51	-0.2	8.27	6.78	15.91	49.14	989.49	1009.63	994.92	967.40
68	Merchant Banks (7)	469.12	-0.4	–	4.59	–	14.84	471.22	468.73	467.62	353.92
69	Property (35)	866.49	-0.2	6.27	5.42	22.63	28.81	867.83	871.70	862.98	957.52
70	Other Financial (17)	238.26	-0.3	11.81	7.26	10.63	11.85	238.88	240.01	239.44	247.35
71	Investment Trusts (70)	1150.32	-1.5	–	3.75	–	30.42	1167.28	1172.67	1158.88	1003.82
99	ALL-SHARE INDEX (661)	1174.63	-0.7	–	5.09	–	40.06	1183.03	1192.58	1185.34	1027.16

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Nov 27	Nov 26	Nov 25	Nov 22	Nov 21	Year ago
FT-SE 100 SHARE INDEX♦	2428.6	-18.9	2454.9	2424.5	2447.5	2471.5	2456.2	2446.3	2463.5	2135.6

FIXED INTEREST

	PRICE INDICES	Thu Nov 28	Day's change %	Wed Nov 27	Accrued interest	xd adj. 1991 to date
	British Government					
1	Up to 5 years (28)	121.71	+0.03	121.67	2.21	10.75
2	5-15 years (27)	133.59	+0.04	133.53	2.75	11.84
3	Over 15 years (8)	141.46	+0.09	141.33	2.64	11.50
4	Irredeemables (6)	154.44	-0.15	154.68	1.15	13.45
5	All stocks (69)	132.12	+0.04	132.06	2.57	11.60
	Index-Linked					
6	Up to 5 years (2)	167.17	....	167.16	0.59	3.16
7	Over 5 years (9)	148.87	-0.24	149.22	1.11	3.83
8	All stocks (11)	150.27	-0.20	150.57	1.03	3.81
9	Debs & Loans (60)	111.03	+0.21	110.80	1.46	10.55

	AVERAGE GROSS REDEMPTION YIELDS		Thu Nov 28	Wed Nov 27	Year ago (approx.)
	British Government				
1	Low	5 years	8.91	8.91	9.44
2	Coupons	15 years	9.67	9.67	10.29
3	(0%-7¾%)	20 years	9.67	9.67	10.36
4	Medium	5 years	10.01	10.01	10.94
5	Coupons	15 years	9.80	9.81	10.70
6	(8%-10¾%)	20 years	9.75	9.75	10.58
7	High	5 years	10.22	10.22	11.07
8	Coupons	15 years	9.90	9.90	10.90
9	(11%-)	20 years	9.81	9.81	10.78
10	Irredeemables	†	9.86	9.84	10.55
	Index-Linked				
11	Inflation rate 5%	Up to 5yrs.	3.88	3.87	3.76
12	Inflation rate 5%	Over 5 yrs.	4.29	4.28	4.16
13	Inflation rate 10%	Up to 5 yrs.	3.24	3.23	2.48
14	Inflation rate 10%	Over 5 yrs.	4.11	4.09	3.97
15	Debs &	5 years	11.58	11.58	13.25
16	Loans	15 years	11.38	11.40	12.86
17		25 years	11.19	11.21	12.53

♦Opening index 2451.0; 9 am 2451.6; 10 am 2448.7; 11 am 2440.1; Noon 2435.7; 1 pm 2433.3; 2 pm 2432.4; 2.30 pm 2432.8; 3 pm 2432.0; 4.10 pm 2424.5; (a) 8.48am (b) 4.09pm † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL. The FT-ACTUARIES SHARE INDICES SERVICE covers a range of electronic and paper-based products relating to these indices. These are available by subscription from FINSTAT, Ibex House, 42-47 Minories, London EC3N 1DY. Tel: 071-702 0991.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	18	18	47
Other Fixed Interest	4	8	7
Commercial, Industrial	166	332	995
Financial & Property	43	263	467
Oil & Gas	16	27	49
Plantations	0	1	9
Mines	28	31	93
Others	42	43	63
Totals	317	723	1,730

LONDON RECENT ISSUES

EQUITIES

[illegible]

FIXED INTEREST STOCKS

[illegible]

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1991 High	1991 Low	Stock	Closing Price p	+ or -
100p	Nil	12/12	12½pm	½pm	Allwoods	2pm	
120	Nil	5/12	23pm	13pm	Brent Chemicals 10p	13pm	
42	Nil	–	2pm	¼pm	♦Corporate Services 40p	¼pm	
10	Nil	6/12	1½pm	1pm	Lowe (Robert H) 1p	1pm	
88	Nil	7/12	10pm	3pm	Molynx 20p	4pm	
215	Nil	20/12	38pm	31pm	More O'Ferrall 10p	37pm	
125	Nil	27/12	10pm	10pm	PCT Group 10p	10pm	
7½	Nil	–	3pm	1½pm	Ross Group 5p	2pm	+¼
282	Nil	23/12	45pm	30pm	Sims Food 5p	30pm	
150	Nil	–	1½pm	1½pm	St. Davids Inv Inc	1½pm	
40	Nil	–	14pm	12½pm	TIP Europe 5p	13pm	

a Annualised dividend. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. g Assumed dividend and yield. q Earnings based on preliminary figures. H Forecast or estimated annualised dividend rate, cover based on previous year's earnings. F Dividend and yield based on prospectus or other official estimates for 1990-91. H Dividend and yield based on prospectus or other official estimates for 1991. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1991-92. N Dividend and yield based on prospectus or other official estimates for 1992. Q Gross. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. ‡ Offered to holders of ordinary shares as a "rights". † Introduction. § Placing price. †† Reintroduction. ♦ Unlisted securities market. ♦ Issued in connection with reorganisation, merger or takeover. pm Price at a premium. * Unregulated collective investment scheme. ■ Unit comprising of 5 Ords and 1 Warrant.

TRADITIONAL OPTIONS

- First Dealings Nov. 18
- Last Dealings Nov. 29
- Last Declarations Feb. 20
- For settlement March 2

For rate indications see end of London Share Service

Calls in **Airbreak Leis., Airtours, Ashley Grp., Aviva Pet., Cabra Ests., Conroy Pet., Globe Pet., Haggas (J), Lep, Maxwell Comm., Mirror Group News., Midland & Scot. Res., Premier Cons.** and **Racal Elects.** Put in **Greycoat.** Puts and calls in **Asprey** and **Whitegate Leis.**

LONDON TRADED OPTIONS

[illegible]

November 28 Total Contracts 17,245
Calls 8,672 Puts 8,573
FT-SE Index Calls 2,407 Puts 5,187
Euro FT-SE Calls 1,039 Puts 347
Eurotrack 100 Index Calls 0 Puts 0
*Underlying security price. † Long dated expiry months
Premiums shown are based on middle prices.

TRADITIONAL OPTION 3-month call rates

	p		p		p		p		p
■ INDUSTRIALS		Charter Cons.	42	ICI	95	Reed Intl	35	MEPC	42
Allied-Lyons	50	Comm Union	40	Ladbroke	21	Sears	8½	Mountleigh	4
Amstrad	6	Courtaulds	38	Legal & Gen	33	SmKl Bchm A	53	**■ OILS**	
Astec (BSR)	5	Eurotunnel	50	Lex Service	16	TI	38	Aviva Pet	3
BAT Inds	53	FKI	5	Lloyds Bank	30	TSB	11	BP	26
BOC	48	FNFC	10	Lonrho	20	Tesco	21	Burmah Castrol	47
BTR	33	Forte	21	Lucas Inds	12	Thorn EMI	65	Conroy Pet	8
Barclays	34	GKN	28	Marks Spencer	21	T & N	14	Gaelic Res	1
Blue Circle	20	Gen Accident	43	Midland Bank	20	Unilever	60	Premier Cons	4
Boots	33	GEC	18	NatWest Bank	26	Vickers	16	Shell	40
Bowater	55	Glaxo	110	P & O Dfd	41	Wellcome	60	Tuskar Res	1
Brit Aerospace	35	Grand Met	67	Racal Elect	6	**■ PROPERTY**		Ultramar	20
British Steel	10	GRE	14	RHM	23	Brit Land	27	**■ MINES**	
Brit Telecom	33	Hanson	17	Rank Org	55	Control Sec.	2	RTZ	46
Cadburys	35	Hawker Sidd	55	Ratners	12	Land Sec.	41		

UK COMPANY NEWS

Racal attacks Williams' accounting

By Richard Gourlay

RACAL ELECTRONICS yesterday attacked the profits record of Williams Holdings saying the industrial conglomerate relied on acquisitions for most of its profit growth and utilised some of the City's least conservative accounting practices.

In a document sent to shareholders Sir Ernest Harrison, Racal chairman, said Williams lacked experience in running large companies like Racal as it had mostly bought businesses with sales of less than £60m.

The Racal counter-attack is the most weighty since it mounted its defence against the £634m bid because of the all-paper nature of the offer.

The document says conglomerates like BTR, Hanson and Tomkins all account for acquisitions in a way which hides to varying degrees their true impact on the balance sheet. But Racal says Williams discloses less than any of these conglomerates about its post-acquisition accounting.

Unlike the other conglomerates Racal names, Williams gives little information about adjustments and provisions in arriving at the fair value of net assets of acquisitions.

This has masked the extent to which costs have been charged against profits and has also made it difficult to assess whether individual disposals are profitable, Racal says.

Williams has also since 1987 netted cost of acquisitions and proceeds from disposals, obscuring the extent of its dealings in businesses.

Racal attacked the use of exceptional reorganisation costs and adjustments to the value of net assets. Racal says over a five-year period Williams charged at least £138m against pre-tax profits, equal to 30 per cent of Williams' cumulative pre-tax profits.

The treatment of disposals in the accounts also allowed Williams to show a "profit" on disposal even if a business was sold for less than the conglomerate paid for it, Racal said.

Williams dismissed Racal's attack as "irrelevant, inaccurate, trivial and misleading". Mr Nigel Rudd, Williams' chairman, said Racal was attempting to deflect shareholder's attention from the central issue, which was "What is Racal worth?".

Williams would not comment on whether a complaint had been made to the Takeover Panel.

Criticism of Williams' accounting procedures is not unusual. But one analyst said that institutional shareholders were more likely to be concerned about a conglomerate's accounting policies, and therefore the quality of its earnings, on the way into a recession. At this stage of the cycle they were more likely to focus on Williams' recovery potential.

Racal also questioned Williams' record of buying businesses and its way of squeezing profit out of them. The acquisition of 50 businesses for £1.6bn since 1982 had taken Williams into "cyclical, flat or declining markets". About 50 per cent of Williams' sales were to the building, home improvement and furnishings markets.

In the case of the acquisition of Crown in 1987 and Berger the following year, the two companies were bought before a decline in their cyclical markets. Racal said that the "Williams approach" had failed with these two acquisitions, its only large business venture prior to the Yale and Valor purchase earlier this year.

Mr Rudd said Racal's shareholders would appreciate Sir Ernest achieving "failures" as profitable as the Crown and Berger acquisitions had been to Williams' shareholders. Williams sold the UK paints businesses in 1990 for a surplus over assets value of £103m.

Williams also criticised Racal's style. It said Williams frequently improved margins over one or two years by raising prices and cutting costs. But at many of the Williams' businesses, including 70 per cent of its UK operating companies held for more than three years, margins had declined.

One analyst said Williams' normal modus operandi had been to sort out an acquisition over the first couple of years and then to invest in subsequent years.

Racal also attacked Williams for capitalising its pension fund surplus, the only FT-SE 100 stock to do so. Without this treatment, shareholders' funds would have been 28 per cent lower, Racal said.

Institutions apply for £3bn of BT share offer

By Roland Rudd

INSTITUTIONS across the world have demanded £3bn worth of BT shares at or around the current market price of 357p, according to the government's financial advisers.

The government is selling half of its 47.8 per cent holding, worth about £5bn, next month.

However, the prices being bid by the institutions are worth less than the market price because the Treasury will be paid in three instalments, the last of which is not due until March 1993. SG Warburg, the government's lead adviser, believes the value of deferring payment is about 25p per share

Nonetheless, news of the strong demand for BT shares pushed them up 8p on a day in which the market fell.

British institutions said they were bidding at a small premium following Legal and General's example of bidding 5p above the market price. Some which have bid at or below what is now the market price are considering increasing their offer by a small amount.

Meanwhile, a survey conducted for the Treasury as part of the market research for the share offer showed that share ownership stands at 30 per cent of the adult population.

Maxwell family to sell its 6% interest in The Independent

By Our Financial Staff

NEWSPAPER Publishing, owner of The Independent newspaper, has been informed by the Maxwell family that an offer has been made for its 6 per cent stake in the newspaper company.

Mr Kevin Maxwell, who has been running the family's affairs since the death three weeks ago of his father, Mr Robert Maxwell, told Newspaper Publishing earlier this week that he had received an offer of 320p per share and would accept it, unless a better price could be obtained elsewhere. He did not disclose the identity of the bidder.

Mr Robert Maxwell bought a stake in Newspaper Publishing when the company was set up in 1986. At the time, Mr Andreas Whittam Smith, founder of the company and editor of The Independent, was surprised to learn that Mr Maxwell had acquired the shares, since he believed they had all been placed with investment institutions.

Newspaper Publishing subsequently had an uneasy relationship with Mr Maxwell, who held his shares through nominees. It suspected that Mr Maxwell's ultimate ambition was to take control of The Independent.

However, Newspaper Publishing chose to forge a close relationship with two continental newspaper groups, El Pais of Spain and La Republicca of Italy. They each have an 18 per cent stake in the company.

It is believed, however, that the bidder for the Maxwell family's stake is neither El Pais nor La Republicca.

The 6 per cent shareholding is one of a number of investments held by the Maxwell family which are being sold, to reduce the debt – estimated at £850m – of the family's private companies.

The recession in the UK newspaper industry has pushed Newspaper Publishing into losses. It took steps in the summer to secure its long-term future, by reducing staff numbers and raising £8.25m though a sale of new shares in a rights issue.

The company is understood to have returned to profit in October.

Mowlem hits out at Eagle Star

By Andrew Bolger

JOHN MOWLEM, the UK construction group, last night accused Eagle Star, one of Britain's biggest insurance companies, of behaving "deplorably" by putting a London development company into receivership.

Mowlem said that the actions of Eagle Star, a subsidiary of BAT Industries, the tobacco and financial services conglomerate, were aimed at avoiding financial obligations of about £4m to Mowlem and about 60 small sub-contractors.

Eagle Star has a 50 per cent stake in the Carlton Gate Development Company (CGDC), which was put into receivership yesterday, the rest of the company being owned by a banking consortium led by Security Pacific EuroFinance.

The company was set up to build luxury flats on the site of the old St Mary's Hospital near the Regent's Canal on the edge of Maida Vale.

CGDC emerged in its present form following the collapse in February 1990 of Declan Kelly, a large privately-owned housebuilder.

However, Mowlem had already had its contract terminated by CGDC and there then started a long round of arbitration.

Mr John Marshall, joint managing director of Mowlem, said: "In the absence of any rational explanation from CGDC or Eagle Star, Mowlem's view is that receivership of this company has been brought in attempt to avoid CGDC's lawful liabilities and, in particular, any award against it by the arbitrator."

However, Eagle Star countered that CGDC was put into receivership because of the intransigence of Mowlem, which it said refused to accept a reasonable offer made during arbitration.

Eagle Star said it was confident CGDC would have won any arbitration, but could not justify continuing to incur further costs.

Mowlem said: "This is a wholly deplorable development and one which should encourage the attention of the Department of Trade and parliament. Large companies should not be allowed to walk away from such liabilities by hiding behind receivership and the Insolvency Act."

Ultramar to cut gearing with sale as defence ploy

By Deborah Hargreaves

ULTRAMAR, the diversified oil and gas company, said it will sell one third of its interest in the Sanga Sanga production-sharing activities in Indonesia as part of its defence against the £1.06bn hostile takeover bid from fellow oil explorer, Lasmo.

Mr Jean Gaulin, Ultramar's chief executive, said the company hoped to realise full value for the asset which is nearing maturity. The City puts a value of about £250m on the stake and Ultramar is hoping its sale will help to reduce gearing below 50 per cent.

Mr Gaulin said there was much more upside potential to be gained from the neighbouring Runtu block in Indonesia which is three times the size of Sanga Sanga and of which Ultramar owns 75 per cent.

The company said its upstream assets were worth £1.63bn, or 439p per share, according to a valuation by ERC, the petroleum consultant. Ultramar said this meant Lasmo was offering just £31m for its refineries and retail network in North America.

In addition, Ultramar forecast it would make a profit of £9m for this year, or 2p per share, which is slightly lower than analysts had been projecting. Ultramar also confirmed it would maintain its dividend at 10.5p for the year by recommending a final of 7p.

For next year Mr Gaulin said he was projecting net profit of £116m and 31p per share depending on a partial recovery in the North American economy.

"But, by holding the dividend flat, it betrays a lack of confidence that they will meet those figures," said Mr Fergus McLeod, oil analyst at County NatWest in Edinburgh.

Lasmo said that Ultramar's defence document had done little to address its muddled strategy.

See Lex

11% rise at Direct Line eases Royal Bank woes

By David Barchard

DESPITE THE worst set of annual results for many years from Royal Bank of Scotland yesterday, the group was able to console itself with the strong performance of Direct Line, its insurance subsidiary.

Direct Line, which sells general insurance by telephone, boosted its profits by 11 per cent to £10.1m with strong business growth despite the heavy losses of most of its competitors among the composite insurers.

Gross written premium was up 48 per cent at £124.4m, while there was a substantial increase in both the motor policy and the household policy business of the group.

There was also a 15.9 per cent improvement in the expense ratio.

Mr Peter Wood, Direct Line chief executive, said that he expected the dramatic growth of the company's business volumes to continue.

Royal Bank shares closed at 165p down 4p.

● COMMENT

Royal Bank's ebullience has not deserted it, even in the face of its direst set of results in memory. Dividend cover of 1.2 times contrasts awkwardly with the bank's previous belief in cover of at least two. Given its strong capitalisation, it can be afforded this time round, but it seems to imply that Royal Bank expects to produce pre-tax profits of at least £150m in 1992. Just why Royal Bank has apparently been hit so much harder by the recession than Bank of Scotland is a bit of a puzzle. The good news comes mainly from Direct Line, which seems poised to be the sole star of the UK general insurance scene this year. Otherwise, with virtually no profit in the second half and its hopes pinned to that, so far elusive, upturn in the UK economy, Royal Bank's confidence is a bit hard to understand.

DIVIDENDS ANNOUNCED

AAH	int	5.4†☆	Mar 24	4.95	-	14.85
Borthwicks	int	0.5	Jan 27	0.5	-	1
BPB Inds	int	4†	Jan 24	4	-	11.25
Brown & Tawse	int	2.85	Feb 14	2.85	-	5.7
Caledonia Inv	int	4.8	Jan 23	4.5	-	13.6
Castings	int	1.3	Jan 11	1.2	-	3.72
GEI Intl	int	2.47	Jan 19	2.47	-	7.32
Grampian TV	int	1	Jan 15	0.7	-	4.1
Johnson Matthey	int	3	Feb 3	3	-	9.25
Macdonald Martin	int	2.2	Jan 10	2	-	8
MEPC	fin	14.75	Jan 23	13.75	20	19
Osborne & Little	int	2	Jan 22	2	-	4.35
Penny & Giles	int	1.53	Jan 31	1.45	-	4.75
Ritz Design	int	1.6	Jan 16	1.6	-	4.8
Royal Bank Scot	fin	6	Dec 31	5.8	8.8	8.4
Scottish Inv	fin	2.9	Feb 14	2.65	4.4	4.05
South West Water	int	7.1	Mar 4	6.7	-	20
Stirling	int	0.5	Jan 17	0.5	-	1.5
Welsh Water	int	7.13	Feb 24	6.5	-	19.5

†On capital increased by rights and/or acquisition issues. ☆Carries scrip option.

Aubin sheds bulk of Greenbank stake

Aubin has shed the bulk of its hostile stake in Walker Greenbank, the commercial wallcoverings group which fought off an attempted boardroom coup by the Jersey-based investment company earlier this year.

The company said yesterday it had placed some 14 per cent of its 18.4 per cent stake with institutions. Proceeds would be used to reduce Aubin's debt.

In April, Walker resisted Aubin's attempt to elect five new non-executive directors to the board. The wallcovering group clamed Aubin was trying to take control without making a full offer.

FT LAW REPORTS

Reinsurance pool claims can be served on US participants

IN RE
THE ERAS EIL APPEALS
Court of Appeal (Sir Donald Nicholls, Vice-Chancellor, Lord Justice Mustill and Lord Justice Nourse): November 21 1991

AN APPLICANT for leave to serve derivative claims out of the jurisdiction on an alternative defendant or third party in a UK action, must state his belief on affidavit that there is a "real issue" to be tried between the plaintiff and defendant in the main proceedings. But the requirement for him to show that he has a "good arguable case" against the alternative defendant or third party may be modified according to circumstances, and where complexity of facts makes it difficult or unwise for the court to dismiss his claims for unarguability, leave may be granted so that the trial judge can view all the claims in their overall context.

The Court of Appeal so held when dismissing appeals by the Howdens group of companies and others as alternative defendants and third parties in actions by Société Commerciale de Réassurance (Scor) and others against the Clarksons group, including ERAS (International) Ltd and others, from Mr Justice Waller's decision granting leave to serve derivative claims on the alternative defendants and third parties out of the jurisdiction.

LORD JUSTICE MUSTILL, giving the judgment of the court, said that in the early 1970s Clarkson, a group of companies centred in the UK, had perceived a new way to write environmental impairment liability (EIL) insurance.

Direct cover was written locally in the US by "fronting insurers", reinsured 100 per cent by members of a pool who retroceded 80 per cent. Risk-rating, underwriting and claims-handling were dealt with by participants in the pool, which was led by Scor, a French company.

The pool was a disaster for all concerned. Litigation ensued on both sides of the Atlantic. The present proceedings were concerned with five main participants: the plaintiff reinsurers (including Scor); Clarksons; Howdens, a US group; International Insurance Co Inc of Illinois, a fronting company; and International's affiliate, The London Agency Inc (TLA), of Atlanta Georgia.

Between those groups there were numerous criss-crossing contractual relationships, many of them allegedly involving participants through the medium of assignment, delegation, agency, implication and so on.

The pool was planned between Scor, Clarksons and Howdens. Clarksons had a central role, but Howdens had wide powers in regard to underwriting, issuing insurance and reinsurance policies, and claim-handling.

In England 11 actions against Clarksons had been started by reinsurers including Scor, and Clarksons had issued three protective writs to save the time limit against International and TLA.

Mr Justice Waller accepted that the plaintiffs had good arguable case against Clarksons in tort and contract.

From allegations in the actions had sprung proceedings in respect of which leave had been granted for service out of the jurisdiction.

The validity of that leave was now in issue.

All the claims under consideration were derivative, in the sense that they were impelled not by the initiative of the claimants, but in response to allegations made against them by others.

Alternative claims were brought by Scor by joinder of Howdens, TLA and International as defendants in Scor's action against Clarksons, to meet the possibility that its claims against Clarksons would fail. Third party claims were made by Clarksons, designed to pass on any liability Clarksons might be held to have incurred to Scor.

Mr Justice Waller upheld leave in Clarkson/Howden and Clarkson/TLA third party notices, limited to tort. He upheld service of the Clarkson writs and the Scor v Howden writ based on tort. He upheld service of the Scor v International and TLA writ based on contract and tort but limited it to claims-handling post October 1983.

A plaintiff seeking leave to serve out of the jurisdiction must show a "good arguable claim"; a strong possibility that the claim fell within the letter and spirit of Order 11 rule 1(1); and that England was the most suitable forum (see *Metall und Rohstoff [1990] 1 QB 391,434*).

Those ordinary principles needed to be modified when applied to dependent claims.

The court should not attempt to define the standard. In some cases the requirement might be stricter than others.

But the bare minimum was that where A had served B in the jurisdiction and application was made to serve C out of the jurisdiction under rule 1(1)(c), the applicant's affidavit must state the belief that there was between A and B "a real issue which the plaintiff may reasonably ask the court to try".

Mr Justice Waller sustained jurisdiction against Howdens in respect of separate writs under Order 11 rule (1)(f), in that the claim was "founded on tort and the damage was sustained ... within the jurisdiction".

The damage of which Clarksons complained was exposure to claims by Scor, which if successful would result in judgments enforceable in England. That amounted to suffering damage in England.

By Order 16(3)(4) leave might be granted under Order 11 to serve a third party notice outside the jurisdiction "on any necessary or proper party to the proceedings brought against the defendant".

Scor and other reinsurers were claiming damages from Clarksons in respect of allegedly negligent underwriting and claims-handling by Howdens. It was just and convenient that that issue should be determined between Howdens and Clarksons as well as between Clarksons and Scor. Howdens were "proper parties" to the actions against Clarksons.

Mr Justice Waller refused to uphold leave for contractual claims by Scor against Howdens. Clarksons and Scor cross-appealed.

There was no good arguable case for saying the arrangements brought Howdens into a contractual relationship with Scor or any of the plaintiffs.

There was enough in the documents to show a good arguable case against TLA in contract.

With regard to tort, Howdens was said to have owed duties of care to parties with whom it had no contractual relationship as well as to Clarksons with whom it did. Clarksons were said to have owed duties of care to those with whom a contractual relationship was not readily apparent. TLA was said to have owed duties of care to Scor and Clarksons, and to other reinsurers and to retrocessionaires and re-retrocessionaires.

It would be difficult and unwise to dismiss a claim as not constituting a good arguable case when the factual background was as complex and kaleidoscopic as here. A decision on all duty of care claims should be made at the same time so the court could view each in overall context.

There was a good arguable case for contribution by Clarksons against Howdens (see sections 1(1) and 6(1) of the Civil Liability (Contribution) Act 1978.

There were substantial grounds for saying claims concerned with events before 1983 might be time-barred, but a decision on those questions should be left until the action was properly under way.

There were seven months for which TLA and International would be able to claim the *Parker v Schuller(1901) 17 TLR 299* principle, that leave obtained for a claim on one cause of action was not leave for a claim on another.

In the interests of justice the whole affair in all its aspects should be explored before the same tribunal. Clarksons were the begetters and organisers of the scheme and remained at the heart of it, however much of the day-to-day work was executed abroad. Only by bringing the principal players together could the responsibility for the disaster be ascertained and distributed between those concerned.

There was no ground on which it would be proper to interfere with the way in which Mr Justice Waller exercised his discretion.

The appeals and cross-appeals were dismissed – save in respect of the *Parker v Schuller* point.

For International & TLA: Edwin Glasgow QC, Mark Howard and Stuart Catchpole (Baker & McKenzie).

For Clarksons: Nicholas Chambers QC and Mark Smith (Simmons & Simmons).

For Scor: Nicholas Legh-Jones QC, Peter Gross and Clifford Gill (Lovell White Durrant).

For Howdens: Samuel Stamler QC and Gavin Kealey (Freshfields).

Rachel Davies
Barrister

Price war behind BPB's 52% fall

By Andrew Taylor, Construction Correspondent

A "DESTRUCTIVE European price war" is costing manufacturers of plasterboard up to £200m a year in lost revenue, BPB Industries, Europe's biggest producer, said yesterday.

The UK group, which announced a 52 per cent fall in pre-tax profits for the six months to September 30, criticised its French and German rivals for forcing down prices in the main European markets.

Mr Alan Turner, chairman and chief executive, said that three groups - BPB, Lafarge Coppée of France and Knauf of Germany - controlled more than 90 per cent of the western European plasterboard market through subsidiary and associate companies.

The companies' battle for market share since 1988 had forced average plasterboard prices down by almost 40 per cent in Germany and France and by about 25 per cent in the UK, said Mr Turner.

As a result BPB's pre-tax profits fell from £50.4m to £24m during the half-year. Mr Turner estimated that Lafarge and Knauf were making losses on plasterboard sales.

Earnings fell to 3.1p (8.4p) *leaving* uncovered a maintained interim dividend of 4p.

When it announced a £125m rights issue in June, BPB said that it intended to maintain dividends this year at the same level as in 1990-91, "barring unforeseen circumstances". "That is still our intention," said Mr Turner yesterday.

He added that the group had *used the rights issue cash* to reduce net borrowings to just over £200m. This is equivalent to gearing of 28 per cent which compares with 52 per cent at the end of March.

Capital expenditure, which had peaked at £166m in 1989-90, would fall to £80m this year and was expected to be reduced further next year.

The money had been spent on increasing the group's presence in continental Europe and on reducing operating costs by investing in more efficient plant and working practices.

Margins had improved in all of BPB's main markets despite falling prices. Mr Turner said there was no sign of an early improvement in the economic conditions affecting the group.

● COMMENT

The pain goes on and as yet there is no end in sight. The main protagonists in the price war show no sign of ending the fray. Volumes look like dipping further in the UK where there is substantial over-capacity and the recession in commercial building is biting deep. In France volumes look like remaining flat. German plasterboard volumes are up by 15 per cent during the past 12 months but prices have fallen steeply and show little sign of recovering - despite the fact that the German building industry is currently the most buoyant in Europe. Last year's first-half profits at BPB were boosted by a £10m surplus on disposals, so comparisons are a little unfair but the underlying picture remains very gloomy. The shares are likely to remain under pressure while the dividend is under threat. Profits of £45m this year would leave a maintained dividend uncovered and BPB would not want to do that more than once.

Stirling's agreed bid values Ritz at £19m

By Daniel Green

STIRLING GROUP yesterday made an agreed bid for fellow clothes maker Ritz Design, valuing its target at £19.2m. Both are among Marks and Spencer's biggest suppliers of womens' wear.

The two companies have complementary product lines. Ritz makes blouses and underwear while Stirling specialises in skirts, nightwear and swimwear.

For every five Ritz shares, Stirling is offering 27 new shares, valuing each Ritz *share at 213p at last night's close.* There is a cash alternative of 200p per share.

The bid ends five months of uncertainty following revelations that Mr Michael Bancroft, formerly Ritz's chairman and chief executive, owed the company £808,000 as a result of unauthorised personal expenditure. Mr Bancroft left the company and agreed to pay back the money, now amounting to £1.4m including costs. Following his departure, Ritz received several approaches regarding a takeover.

The debt will now be paid directly to the combined company on completion of the takeover, the cash arising from Mr Bancroft's stake in Ritz.

Both companies also announced interim *results yesterday. Stirling made a pre-tax* profit of £581,000 (£305,000) and Ritz made £186,000 (£855,000).

For the takeover to improve earnings per share, Stirling must make savings of about £850,000. Mr Peter Sheldon, executive chairman of Stirling, said that there was "enormous scope for synergy benefits". City analysts said the company should be able to make the necessary savings. They forecast 1993 earnings of 4.7p on pre-tax profits of £6m.

Shares in both companies had been suspended on Wednesday pending yesterday's announcement. Ritz closed last night at 200p, compared with the suspension price of 185p. Stirling fell 1¼p to 39½p.

In the first half of the year, turnover at Stirling was £27.1m (£18.8m) with earnings of 1.03p (0.53p). The interim dividend is held at 0.5p. Ritz turnover was £18.4m (£17.1m) with earnings of 1.4p (6.2p). The dividend is unchanged at 1.6p.

Volex expands away from cars for up to $25.9m

By Peggy Hollinger

VOLEX Group, the specialist wiring and connection systems company, has increased its presence in the higher-margin computer plugs and cables market with the acquisition of Cable Products of the US.

The purchase will decrease Volex's dependence on the depressed car manufacturing market - which provides lower returns than cables - and is the group's first move into the US. CP manufactures custom-made leads for computer and telecommunications products.

Volex will make an initial cash payment of $14.6m. Additional earn-out payments could bring the total consideration to $25.9m (£14.6m).

The purchase will be funded through a placing of 3m shares with a clawback option. Volex shares closed at 254p.

Chelsea chief says £23m bill will not be paid in cash

MR KEN Bates, chairman of Chelsea Football Club, said yesterday that the west London club would not pay the near £23m demanded by Cabra Estates in cash, writes Jane Fuller.

The net amount paid to the property company for the Stamford Bridge site could be reduced by various matters, including £5m for sharing the ground with Fulham FC so that it could leave another Cabra-owned site; the value of Chelsea's stake in Stamford Bridge Properties, the subsidiary which owns Chelsea's ground; and five outstanding legal actions being pursued by Chelsea against Cabra.

Cabra said on Wednesday that the £22.85m valuation put on the ground by an independent expert finalised a contract with Chelsea. It would demand payment within 28 days and pursue Chelsea vigorously for the debt.

Sudden departure of Penna chairman

By Andrew Bolger

PENNA, which specialises in providing employment counselling for executives, yesterday announced the sudden departure of Mr Stephen Rowlinson, its chairman and chief executive.

Last month shares in Penna, the best-performing stock last year on the Unlisted Securities Market, collapsed when the company - formerly Sanders and Sidney - issued a profits warning.

Mr Rowlinson had been due to present the company's interim figures on Friday, but the results have now been postponed until next Wednesday. Penna shares closed 4p down at 95p, well down from this year's peak of 328p in June, when the company was valued at £15.68m.

Mr Rowlinson was brought *in two years ago at a total cost* of £230,000 from Korn Ferry, the US executive search firm. Talks regarding his settlement package are continuing, but will start from the basis that he was earning £100,000 a year and had a three-year contract.

He hoped to turn the company into the world's largest specialists in outplacement, a service imported from the US, *where companies pay for* employees who have become redundant to be counselled and helped to find other jobs.

However, Mr Rowlinson's ambitious plans for Penna were hit by a slowdown in projected growth.

Having tripled annual profits to £2m in the year to March 31, Penna last month expected to make only about £100,000 in the half-year to September, down from £912,000.

Mr John Beard, finance director of Penna and chairman of Sanders and Sidney, its main trading subsidiary, has been appointed chief executive of Penna. Mr Deryck Sidney has been appointed temporary non-executive chairman of Penna.

Mr Beard said Penna and Mr Rowlinson had agreed to part company in light of the company's recent performance and the impact on the share price.

Michiyo Nakamoto reports on more water results

Welsh surprises the City with top management changes

WELSH WATER reported a 1.9 per cent increase in pre-tax profits, from £72.7m to £74.1m, and is raising its interim dividend by 9.7 per cent, from 6.5p to 7.13p.

The shares price, however, dropped 11p to 355p.

The company also announced management changes which were greeted with surprise by the City. Mr Iain Evans, currently a non-executive director, becomes deputy chairman in January, with a view to taking over as chairman when Mr John Elfed Jones retires in 1993.

Mr Evans, who is 40, is chairman and founder of LEK Partnership, an international corporate strategy consulting firm, and non-executive director of Welsh Development International, part of the Welsh Development Agency.

Mr David Jeffrey, managing director, is retiring at the end of December. He will be *replaced by Mr Graham* Hawker, finance director.

The management changes were designed to bring in "young, dynamic leadership to take it through the 1990's and into the 21st century," the company said.

Welsh, which has been sitting on a 15 per cent stake in South Wales Electricity, said it had not yet been able to convince the electricity company of the economic merits of co-operation. It would pursue its strategy of seeking demonstrable synergies, it said.

The modest increase in taxable income came on turnover up by 17 per cent to £171.1m (£146m) and a lower net investment and interest income of £13.1m (£17.4m). Operating profit increased by 10 per cent to £61m (£55.3m).

Earnings per share rose to 48.5p (48.2p).

● COMMENT

The company would not admit as much, but the management *changes announced today* raised concerns in the City that Welsh Water was preparing to do something about its stake in South Wales Electricity, which is presumably protected for some time yet by the government's golden share. Whether the appointment of a relatively young corporate strategy expert to the seat of chairman designate or the elevation of the finance director, who is reputed to be the brains behind the cost benefits envisioned in the Swalec link, to managing director is indeed intended to set the company on course for a full scale onslaught can only be the subject of speculation for now. Analysts are looking for full year profits of £138m and while the solid balance sheet, a prospective yield of 8 per cent, compared with 7.7 per cent for the sector, and a faster than average dividend growth may be appealing, until a clearer picture emerges of where the management is going, the *shares are likely to be clouded* by uncertainties.

South West pay-out disappoints

SOUTH WEST Water saw its share price drop 9p after revealing flat profits and the lowest dividend increase *among the five privatised* water companies which have announced interims so far.

The shares closed at 317p on the announcement of a 1.5 per cent rise in taxable profits to £47.1m (£46.4m) in the six months to September 30, and a 6 per cent increase in the interim dividend to 7.1p (6.7p).

Turnover was up 18.5 per cent to £84.3m (£71.1m), reflecting largely a 16 per cent increase in prices. Non-core businesses contributed 1.4 per cent to the rise while real growth in the core business accounted for 1 per cent.

Operating profits were up by 28 per cent to £33.3m (£26.1m). Margins rose from 34 per cent to 39 per cent.

However, interest income, which comprised 42 per cent of pre-tax profits in the previous first half, fell to £13.9m (£20.3m). Earnings per share were up to 36.1p (35.7p).

South West is moving into waste treatment with the acquisition of Copa Holdings, based in Kent and Cornwall, *for a maximum consideration* of £14m.

The initial payment of £4.51m is to be satisfied by the issue of 1.4m ordinary shares.

Group capital expenditure was progressing on course, with £98m already committed out of a total of £180m earmarked for 1991-92. There were plans for additional expenditure of over £300m.

South West was still waiting to hear the decision - expected by the end of the year - on its application to Ofwat, the industry regulator, for an increase in the amount it will be allowed to raise prices next year.

It was confident of a sympathetic decision. "There are costs that need to be remunerated. That is inescapable," maintained Mr Keith Court, chairman. "We are confident that he [the industry regulator] will recognise that he has to do something."

● COMMENT

There were some angry words *to be heard on South West's* decision to limit its dividend increase to 6 per cent. Coming as it does a day before the industry is scheduled to deliver its response to the regulator's cost of capital document, shareholders might be forgiven for suspecting that the low increase was a cop-out by South West with its cost pass through application very much in mind. Although analysts forecast relatively flat full year profits of £90m, from a fundamental viewpoint there was no need for the low increase. The highest yield and the highest dividend in absolute terms of the ten companies make the shares look attractive and there is the incentive of a possible favourable decision on cost pass through. But a slower than average dividend growth rate is unlikely to win it many friends in the short term.

See Observer

NEWS DIGEST

GEI Intl tumbles to £511,000

BECAUSE of "the harsh impact on the special steels division of the European steel recession", GEI International, which also has packaging and processing machinery arms, saw pre-tax profits tumble from £3.1m to £511,000 in the six months to September 30.

The interim dividend, however, is maintained at 2.47p.

Trading had increasingly deteriorated in the second half of the 1990-91 year, said Mr Michael Blackburn, chairman, and the lower levels of activity had continued into the first half of the current year.

Turnover slipped by £414,000 to £35.7m, while earnings dived to 0.65p (5.24p) per share.

The pre-tax result was after exceptional costs of £226,000 (£710,000 profit) being legal, rationalisation and redundancy costs and other provisions.

Although there were losses per share of 0.5p (4.8p earnings) the interim dividend is maintained at 2.85p.

Park Food sells two offshoots to Brake

Park Food Group, the UK's largest packer and supplier of Christmas hampers, has completed its disposal programme with the sale for £3.25m of its subsidiaries, Everfresh Frozen Foods and Swithenbank Frozen Products, to Brake Brothers.

Cost includes the repayment of indebtedness and goodwill, payable in cash. As part of the deal, Park will also be selling four properties to Brake for £650,000.

All-round growth at Scottish Investment

Over the year to October 31 1991 Scottish Investment Trust lifted net asset value by 26 per cent and net earnings by 11 per cent.

Shareholders participate in the growth as the dividend is raised 8.6 per cent, from 4.05p to 4.4p, *with a final of 2.9p.*

The asset value stood at 206.2p, against 163.5p a year earlier.

Gross income over the year increased by 14 per cent to £24.5m (£21.5m). Earnings were 4.52p (4.07p).

Brown & Tawse still £181,000 in red

Brown & Tawse Group, the Dundee-based steel and pipeline distributor, announced a pre-tax loss of £181,000 for the six months to September 30, compared with profits of £2.17m. For the second half of last year losses amounted to £3.34m.

Turnover fell to £72.3m against £90.8m and £75.3m respectively. Mr Gil Black, chairman, said it was clear that the declining trend in demand had continued, albeit at a slower pace.

Penny & Giles falls 10% to £1.12m

A changing mix in sales hit margins of Penny & Giles International, the electrical equipment concern, and together with a £287,000 charge for redundancies, led to a 10 per cent fall in pre-tax profits from £1.25m to £1.12m for the six months to September 30.

Turnover edged ahead 2 per cent to £16.3m (£15.9m), but while exports increased 9 per *cent, UK sales were 3 per cent* lower.

Earnings per share fell from 8.52p (8.02p), but the interim dividend is up to 1.53p (1.45p).

Industrial site sale boosts Compco

Compco Holdings more than doubled pre-tax profits following the sale of half of the remaining industrial site at Belvedere, Kent.

In the half year to September 1991 this property dealing company made a profit of £240,000, against £109,000 last time. Earnings per share were 7.05p (3.36p).

Castings at £1.7m but below capacity

Despite the fact that all its companies operated below capacity for most of the six months to September 30, Castings increased pre-tax profits from £1.55m to £1.7m.

However, Mr Brian Cooke, chairman of this West Midlands-based iron castings group, *said that it was difficult* to compare the two figures as the latter included the first six months of trading of William Lee, the manufacturer of malleable and ductile iron castings acquired in March 1991.

Turnover jumped 54 per cent to £16.9m (£10.9m). Earnings rose to 5.5p (4.86p) per share and the interim dividend is lifted to 1.3p (1.2p).

Improved margins lift Borthwicks

Borthwicks, the manufacturer of natural flavours and value added foods, enhanced its margins to lift pre-tax profit from £129,000 to £932,000 in the half year to September 28.

The outcome was struck after exceptional costs, mainly reorganisation, of £336,000 (£401,000).

Turnover fell to £22.8m (£34.5m) as a result of the disposal of the last sizeable meatworks at Colne. Turnover of the ongoing businesses, however, rose £2m, or 11 per cent, said Mr John Thomson, chairman, and operating profit was ahead to £1.62m (£795,000).

Earnings per share were 1.2p (nil) and the interim dividend is again 0.5p.

Tomorrows Leisure trading improves

Tomorrows Leisure lifted pre-tax profit from £408,000 to £422,000 in the half year ended September 30.

There was a significant increase in operating profit but that was offset by a fall in interest receivable reflecting lower interest rates and the deferred building cost of alterations at the Redworth Hall *Hotel; these have now been* repaid.

Earnings per share were again 2.7p. The company's shares trade on the USM.

Macdonald Martin drops below £5m

Macdonald Martin Distilleries, parent company of Glenmorangie Single Malt Whisky, recorded a 10 per cent decline in pre-tax profit for the half year to September 30 1991.

Turnover dipped 7 per cent to £15.2m (£16.4m) and profit came to £4.67m (£5.12m). Earnings per share fell to 22.66p (24.7p); the interim dividend is 2.2p (2p).

Interest costs push Welpac into loss

Welpac, the hardware and electrical goods wholesaler and distributor, incurred a loss of £248,000 in the half year to July 31 as the operating surplus was wiped out by interest charges.

However, interest costs would be substantially lower in *the second half as the benefits* of a reduction in gearing from 123 per cent to 33.4 per cent worked through.

The loss compared with a profit of £90,000 last time, and came from turnover of £4.65m (£5.24m). Losses per share were 0.78p (earnings 0.34p).

Osborne & Little declines by 26%

In the six months to September 30, Osborne & Little, the wallpaper and furnishing fabrics group, suffered a 26 per cent decline in pre-tax profits on turnover down 4 per cent.

However Sir Peter Osborne, chairman, said that the company found the results "sufficiently encouraging" to maintain the interim dividend at 2p. Taxable profits were £384,000 (£518,000) and turnover £8.79m (£9.16m). Earnings dropped to 3.58p (4.46p) per share.

UK COMPANY NEWS

Johnson Matthey static at £32.6m

By Kenneth Gooding, Mining Correspondent

ANOTHER £5m rationalisation programme affecting plants and employees throughout Europe was revealed yesterday by Johnson Matthey, the world's largest platinum marketing group, when it announced virtually unchanged interim profits.

This means that the group has so far allocated £24.8m above the line and £53.3m below the line for rationalisation and redundancies programmes which in the past 18 months have seen its workforce fall by about 1,200 or 20 per cent.

Full details of the latest shake-out – affecting the materials technology division – would emerge over the next three to four months, said Mr David Davies, chairman.

The division had too many sites in too many countries, he said, and currently employed about 2,000 people and £150m of assets – nearly one third of total assets – which were earning a return of only 4 per cent.

Pre-tax profits were £32.6m for the six months to end-September, marginally ahead of last time's £32.5m.

An unchanged interim dividend of 3p is payable from earnings of 11.7p (11.8p) per share.

Tony Andrews

David Davies: too many sites in too many countries

Mr Davies described this as a "creditable performance" made possible because of previous efforts to drive down costs.

Economic conditions worsened in the half-year because sales to the electronics industry in the US and the Far East weakened, as did sales to the semi-conductor market.

At the same time the platinum price fell by 19 per cent compared with the 1990 first half and rhodium was down 11 per cent.

The group was in a wide range of businesses, from retail in the UK to industrial in the UK and the US, he pointed out, and there was no sign of any recovery in any of them. Now Asian markets were begining to weaken.

"We will be hard-pressed to do as well in the second half as in the first if precious metals prices stay where they are," added Mr Davies. "But our base for the future is pretty attractive and we are well poised for growth in profits once the economies of the UK and the US re-emerge from recession."

Although the results were in line with analysts' forecasts, Mr Davies' warning about immediate prospects saw the share price slip slightly, from 318p to 315p.

Turnover rose from £144.6m to £150.1m. Net borrowings were reduced by £16.7m to £40m.

Lower interest rates cut interest received from £2.3m to £700,000.

The group took advantage of a "spike" in the rhodium price to dispose of surplus stocks and earn an exceptional profit of £5.4m which more than offset the £5m provision for the latest rationalisation programme.

Operating profit of £31.5m (£30.2m) comprised £10.7m from the catalytic systems division (£8.4m); £9.2m from materials technology (£10.4m); £11.9m from precious metals (£12.8m); £4.4m from colour and print (£3.6m); less £4.7m corporate costs (£5m).

West Ham offers 19,301 bonds in £15m plan

By Jane Fuller

WEST HAM United, the east London football club, is offering 19,301 bonds to raise more than £15m to redevelop its Upton Park stadium to meet the all-seater requirements of the Taylor Report.

The prices range from £500 to £975, with more than half the bonds being offered at £750.

For this the holder receives a right to a season ticket, priced at a discount of up to 28 per cent to match day seats, priority for other matches and events, and becomes a member of the Hammers Bond Company, which will have a say in the club's affairs.

If all of them are sold, the holders will take up three quarters of the redeveloped ground, which will have a capacity of 25,500. In its first season back in the first division, West Ham's average gate has been nearly 23,000. Its present capacity is 29,000, of which 60 per cent is standing room on terraces.

Although West Ham incurred a loss in each of the last two years, when it was in the second division, it had no debts at its July year-end.

Mr Peter Storrie, the new managing director, said he was aiming for a profit of at least £1m a year.

West Ham's first redevelopment expense has been £1.6m to buy 3.6 acres to nearly double the size of its site. It plans to start rebuilding the south stand next May and the north stand the year after.

The work is scheduled to be completed by the Taylor Report deadline of August 1994.

The club's issue follows Arsenal's, which aims to raise £16.5m, and the much smaller pioneering issue by Glasgow Rangers.

Like its predecessors, West Ham is being advised by a Scottish team.

The sponsors are CPL Corporate Finance, of Edinburgh, and the Royal Bank of Scotland is arranging loans. The bonds will be tradeable.

Caledonia 9% down as investment income falls

By Peggy Hollinger

CALEDONIA Investments, the vehicle for the Cayzer family which recently took a 45 per cent stake in Bristow Helicopters, reported a 9 per cent drop in profits to £17.4m for the half year to September 30.

The pre-tax return had been depressed by sharply lower investment income of £9.5m (£11.6m). Mr Peter Buckley, chief executive, said investment income had fallen as an £82m tranche of British & Commonwealth preference shares were paid out in April.

Caledonia sold its 31 per cent stake in B&C in 1987 for £100m cash and £327.5m in bank-guaranteed preference shares, to be redeemed in annual tranches until this year. One more repayment is due in December, although Mr Buckley said it was not likely to be made until April.

The group currently has £100m in cash. Interest receivable was down slightly at the half-year to £7.7m (£7.9m) due to lower rates.

Mr Buckley said the group's strategy of measured investment in recent years had proven to be correct. "It has not been a period of great prosperity," he said.

During the year, Caledonia has taken stakes in Edinburgh Crystal for an estimated £5m-£6m, Clan Asset Management, and the Sloane Club, a property in Chelsea, south-west London. Caledonia also returned to Bristow Helicopters earlier this month, which it had previously owned through B&C.

The acquisitions in the first half had boosted operating profit from trading activities by 78 per cent to £1.6m.

Earnings per share fell from by 1p to 12.4p. The interim dividend is 4.8p (4.5p).

AAH at £15.8m as recessio[n] affects vulnerable divisions

By Jane Fuller

A LACK of asset sales and the effects of recession on three of its small divisions reduced AAH Holdings' interim pre-tax profit by nearly 2 per cent.

The healthcare and distribution group made £15.8m (£16.1m) in the six months to September 30 after an 11 per cent advance in turnover to £805.7m (£546.8m).

Trading profit fell to £17.3m, although the previous year's figure of £18.2m included £2m from property and business sales. Interest payments came down to £1.5m (£2.1m).

Mr Bill Pybus, chairman, said improvements in healthcare, which accounted for more than 70 per cent of trading profit, and in environmental services were offset by the recession-vulnerable divisions: building supplies, consumer products and transport.

About two thirds of the healthcare division's profit of £12.3m (£11.6m) came from drugs wholesaling. Last week, its purchase of assets from Medicopharma, a Dutch group closing its UK operations, was referred to the Monopolies and Mergers Commission. AAH has about 30 per cent of the prescription drugs market.

Mr Bill Revell, AAH's director responsible for healthcare, said yesterday that the wholesaler operated between the drugs manufacturers and the one monopoly customer in the UK, the National Health Service. Prices were fixed by the NHS, so a large buyer did no better than a small one.

Margins were slim. The whole division made 2.4 per cent at the operating level, but the margins in its retail business, which included 134 Vantage chemists' shops, were rather better than in wholesaling.

It plans to expand its retailing activities. Mr Pybus said it had looked at Macarthy, the group for which UniChem and Lloyds Chemists had bid and been referred to the MMC. While AAH had not made a final decision on whether to join the fray after the inquiry, he said the price looked "very high".

Environmental services, which includes refuse collection and street swe[eping] Wandsworth boroug[h] made £2.5m (£2.1m) spite of start-up cos[ts] local authority work.

In builders' suppli[es] strong merchanting c[...] its profits, while [...] Brick had its [...] squeezed. Divisional [...] to £1.7m (£2.8m), alth[ough] bulk of the drop was [...] for by the absence [...] sales.

Consumer product[s] electrical goods, de[...] £500,000 (£1.1m) and [...] services halved to £30[...]

Mr Revell said la[...] second half was held [...] some one-off factors. [...] the two halves shoul[d] to their normal pa[...] being fairly equal. [...] there was no sign of a[...] in any of the recessio[n] markets.

Earnings per sha[re] 15.2p (15.3p). The inte[rim] dend is raised to 5.4[p] The share price, whic[h] back last week after [...] referral, gained 5p to 463p.

Drexel companies' UK settleme[nt]

By Andrew Jack

A SETTLEMENT has been reached for the UK companies of Drexel Burnham Lambert, the US investment bank that filed for bankruptcy protection in February last year, under which nearly all the creditors will be repaid in full.

About 1,200 creditors of the UK companies will be completely reimbursed. Another 14 who are owed more than £1m each will receive a proportion of what they are owed of between 60 and 90 per cent. Mr Phil Wallace and Mr Tim Hayward of KPMG Peat Marwick, the UK liquidators, have realised assets worth £223m from the £251m in liabilities against the UK companies since they were appointed last year.

The arrangement comes after the liquidators applied in the US bankruptcy southern district court in New York earlier this month for permission to sever a series of complex inter-company ties linking the US and the UK companies.

The UK companies owed those in the US about £69m, but the US companies owed about £68m to the UK. Under the arrangement, the UK has paid £18m to the US in settlement against tin tradi[ng] liabilities to and from [...] companies will be wai[ved].

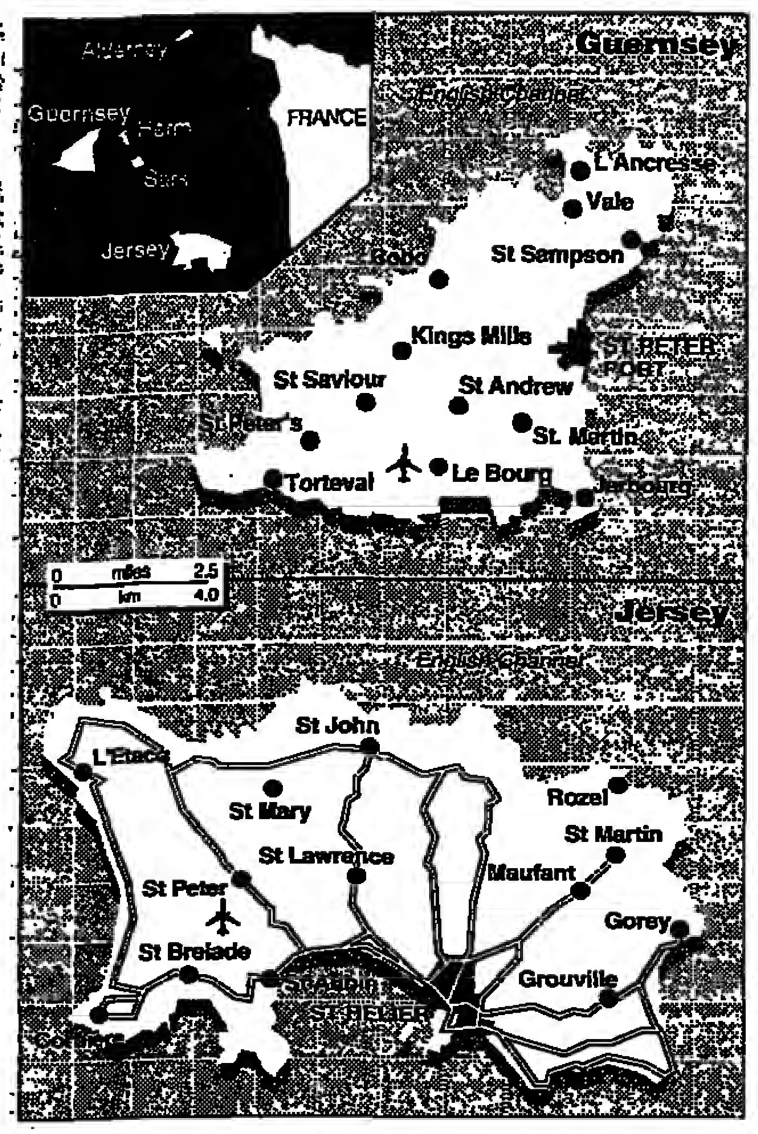
US creditors had [a] grace period to objec[t to the] proposal, which ha[s] elapsed. A legal ag[reement] endorsing the settlem[ent was] signed yesterday, which [will] clear the way for paym[ent of] £90m to UK creditor[s by] the end of the year.

About £110m has [...] been distributed in pa[rt set]tlement to creditors. A[...] £5m will be held back [for sev]eral months to cover [...] and any late creditors'

FINANCIAL TIMES SURVEY

THE CHANNEL ISLANDS

Friday November 29 1991



KEY FACTS

Total area: 48,083 acres
broken down as follows: Jersey 28,717; Guernsey 15,654; Alderney 1,962; Brechov 74; Great Sark 1,035; Little Sark 239; Herm 320; Jethov 44; Lihou 38

Population (1986 census): Jersey 80,212; Guernsey 54,380; Alderney 2,000; Sark 604

Lieutenant Governors: Jersey: Sir John Sutton
Guernsey: Sir Michael Wilkins

	Jersey	Guernsey
Value of bank deposits (end-'90)($m).....	40,400	14,905
Total investment funds under management (Sept '91) (£m).............	7,348	5,983
No of companies registered (end-'90)....	28,000	13,596
Number of visitors (1990).....................	850,000	389,000
GDP BREAKDOWN (%)(Jersey figs '89; Guernsey '90)		
Financial services................................	42	47
Tourism..	32	21
Investment holding/rentier.....................	19	20
Agriculture/horticulture.........................	10	6
Light industry/manufacturing..................	5	6

A little less sunny

The two leading industries have felt a cold wind of late, writes Norma Cohen. Tourists have stayed away, and competition from other financial centres has grown. Both sectors, however, are rising to the challenge

IN 1066, when William the Conqueror defeated King Harold at Hastings, his Norman possessions included the Channel Islands. By a quirk, King John managed to hold on to them after losing Normandy in 1204.

Thus it was that Jersey, Guernsey, Alderney, Sark and Herm came to be the holdings of the English crown, a peculiar status that to this day leaves them outside the jurisdiction of parliament but *within the net of British protection.*

Despite the best efforts of the two largest islands to diversify their economic base, both Jersey and Guernsey remain heavily dependent on the UK economy, their fortunes rising and falling with that of the mainland. But up until this year, the UK's recession had little impact on the prosperous island economies.

Ironically, the silver lining to the UK's recession – the sharp drop in inflation – is nowhere to be found in the Channel Islands. Indeed, Jersey has just reported an inflation rate of 8 per cent for the quarter ended September 30, well above the EC average of 5.3 per cent and the UK rate of 6.5 per cent.

Guernsey is suffering less, with a 6 per cent inflation rate for the same period.

Historically, both islands have inflation rates roughly in line with that of the UK.

In trying to decipher the latest round of numbers, Mr Colin Powell, Jersey's economic adviser, says the limited supply of housing on the island has meant that house prices have remained stable or grown modestly, instead of having fallen sharply as they have in Britain. If house prices are removed from both the Jersey and the UK indices, Jersey actually shows a lower inflation rate for the year, he said.

Also, there is evidence that consumer goods prices have remained high. In the footwear and clothing category, for instance, prices have risen by 12.2 per cent this year, compared with 3.2 per cent in the UK.

But many Channel Islanders, confronted with the slowdown in growth in the tourism and *finance industries, remain baffled* by the persistently high inflation.

"I think they're blaming it on the price of shirts," said Mr Martin Chambers, director of TSB/Hill Samuel and former chairman of the Jersey Bankers Association.

Mr Rob Gray, Guernsey's associate administrator of tax, says inflation is putting at risk the tourist industry, by threatening to price it out of the means of the island's traditional client base.

"You can get a package holiday to somewhere sunny for the same price," he said.

The high cost of goods sold locally means that tourists, particularly the French, find it cheaper to purchase the same goods at home. And Guernsey's very visible charms – its temperate climate, sunny beaches and unspoilt uplands – do not come cheap, with a £189 return fare from Southampton, more than some flights to Paris.

The recession in the UK has finally started to bite in the Channel Islands, after having had a minimal impact in 1990. With both islands drawing 80 per cent of tourists from the UK, that industry has been the hardest hit.

In Jersey, where 32 per cent of tax revenues come from the tourism industry, the number of tourists has fallen by roughly 15 per cent this year. Those that are coming are spending less, according to Mr Powell.

On smaller Guernsey – a longer ferry ride from the UK mainland – tourism has taken a similar dip.

Mr Powell said Jersey has made a special effort to try to diversify its tourist base, advertising its potential widely *in continental Europe. While* there has been a big increase in the proportion of tourists from Germany and Scandinavia, the numbers remain small.

Unemployment, virtually unheard of in the Channel Islands, has become visible, albeit in a very modest fashion. In Jersey, official statistics show 300 people, less than 1 per cent of the population, are out of work. In Guernsey, the local newspaper reported that for the first time in recent memory, there have not been enough jobs for all school leavers. Official figures are that roughly 170 people are unemployed.

But the economic downturn must be kept in perspective – it is more modest than anything seen in the UK, and the standard of living in the Channel Islands remains well above EC averages.

Meanwhile, the finance industry, which accounts for 45 per cent of Guernsey's revenues and 42 per cent of Jersey's, shows every sign that it is preparing to rise to the challenge of offshore centres eager to grab the islands' traditional businesses.

Bankers speak with a bit of bravado about their ability to withstand the competition from other offshore centres. Dublin and Luxembourg made successful bids to become tax advantageous centres for marketing retail funds throughout Europe, forcing several funds formerly based in the Channel Islands to rebase there.

Also, the Isle of Man has made a recent push to attract offshore business, cutting its income tax rate to 5 per cent compared with 20 per cent in the Channel Islands.

But they point to the way the local finance industry has adapted to previous upheavals. "The banks came to the Channel Islands to take advantage of the desire to get around foreign exchange controls," said one banker.

"The controls are gone and they are still here."

The banking and fund management industry, keenly aware that Dublin and Luxembourg may well be more attractive homes for retail-style funds, are actively seeking new institutional business. Mr Richard Syvrie, commissioner of financial services in Jersey, said: "The retail funds are quickly being replaced by corporate funds, particularly from Japan."

For its part, the financial services industry itself is taking steps to get its costs down, particularly salary costs which spiralled upwards in the mid-1980s in line with the frenetic activity in the City of London. According to Julien Bub, managing director of Chase Bank which conducts an annual survey of Jersey pay rises, salaries are already growing much more slowly.

While the Chase survey showed an average rise of 10 to 11 per cent in the year to January 1991, that will fall to 5 to 6 per cent by January 1992.

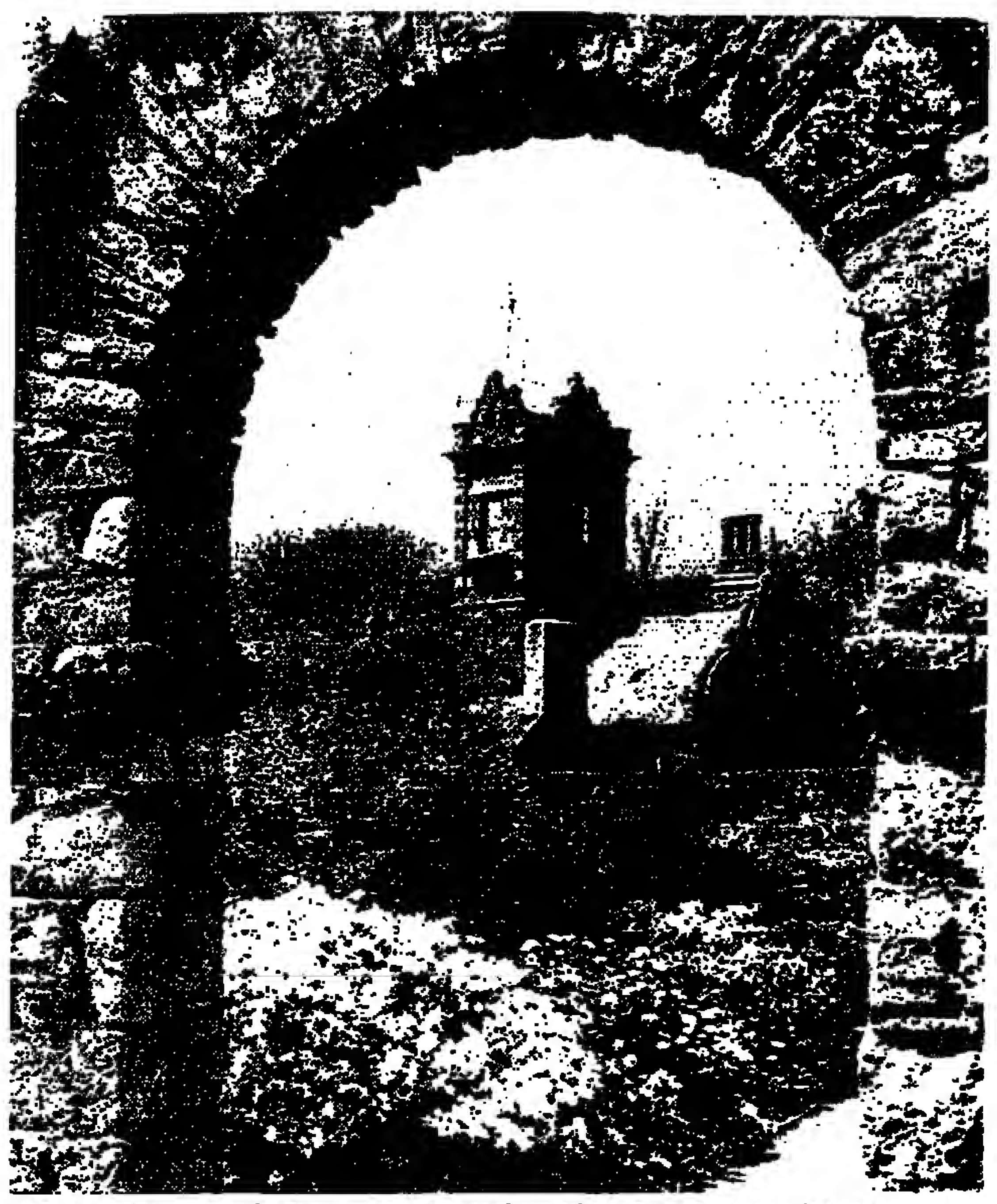
"People realised that if they didn't get costs under control, they could price themselves out of the market," Mr Bub said.

Bankers concede that the effort to get salaries under control in Jersey has been helped by the island's "zero job growth" policy set in December 1989. After initial opposition by local industry, employers have come around to the view that the restrictions may be helpful.

With the Channel Islands' largest industry – finance – one that demands highly skilled labour, employers either imported expensive labour from outside or outbid each other for local staff. That led to spiralling costs, which threatened Jersey's other industries, including tourism, agriculture and light industry.

The island allocated total growth of 400 jobs across the board for 1990, 200 in 1991 and none next year. That means that while individual businesses may increase staff, they may only do so if another employer is under quota.

"This is not a no-growth policy," said Mr Powell. "Jersey is still open for business." The policy intends to prevent demand for labour from creating an inflationary spiral which threatens other businesses and makes Jersey's financial services too expensive to compete elsewhere.



La Seigneurie on tranquil Sark. Tourism figures dropped by 12-15 per cent on last year

The zero job growth policy

Skill imports dry up

TRAINING has taken on a new sense of urgency in Jersey and Guernsey, which have always relied heavily on imported skilled labour.

Over the past two years, both islands have become more cautious about granting work permits to non-natives whose employers invariably plead that their special skills cannot be found locally. The need for caution became evident during the late 1980s when spiralling salaries in the financial services sector rose in line with those in the City, threatening to price all other employers out of the job market.

The influx also threatened the fragile housing market which is restricted by both islands' geography, and the need to retain the qualities which attract tourists.

Then, two years ago, Jersey established its zero job growth policy which capped the numbers of new employees that companies could hire. After having relied so long on imported skills, local businesses have had to accept that the solution to skills shortages has to be to grow their own.

Mr Colin Powell, economic adviser, stops short of criticising local industry for having failed to provide sufficient training in the past, although he says: "We have felt that resources going into training are not as great as they should be." He said that Jersey has taken several steps to raise local skills levels in line with industry's needs.

Among other things, Jersey is preparing to establish an employer-led board of governors for Highlands College, its local further education college. The board is intended to help the college develop courses specific to local business needs.

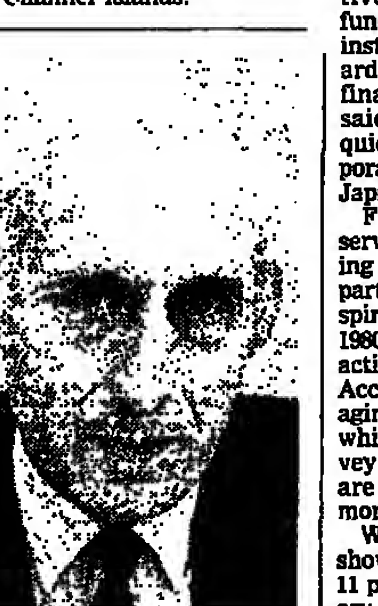
Also, Jersey plans an employer-led Training Agency which will act as a counseling service for individuals seeking training, although local residents are ineligible for UK training grants.

Mr John Roper, director of Guernsey's financial services commission, said that employers who seek work visas for non-residents are now required to guarantee that the person will train several local people in key aspects of their job. Thus, when the work visa expires, it is expected that local staff will be able to take up some of their tasks.

Local businesses, too, argue that they have begun to put more resources into training. Mr Mike Dellamore, of actuarial consultants Bacon and Woodrow in Guernsey, says the firm offers tutorials for those new recruits studying for actuarial or chartered accountancy exams, and gives them study leave.

Mr David Oldfield, managing director of Warburg Asset Management, said his firm has set up a training committee to co-ordinate in-house training, and the company assigns a tutor to work with new recruits. Others are sent to the UK mainland for training. Mr Oldfied, vice-chairman of the Jersey Fund Managers Association, has recently helped Highlands College design a new course in funds administration.

Norma Cohen



Colin Powell, economic adviser to Jersey

FUND MANAGEMENT

Competition a spur to new activities

CHANNEL ISLANDS fund managers speak as though the rise of competing offshore centres is more of a nuisance than a threat. Their newest competitors, they like to point out, are expensive, restrictive, and may not be able to offer their enticing tax benefits indefinitely.

While there may well be an element of bravado in this stance, Channel Islands fund managers are starting to demonstrate an ability to tailor new products to suit new times.

Robert Gray, Guernsey's assistant administrator of tax, said that while there had been a slowing in the setting up of new funds earlier this year, the rate is starting to pick up again. Furthermore, several Guernsey-based funds which had drawn up plans for a move

Total funds under management in Guernsey rose by 2.2 per cent to £5.98bn by the end of September

to Luxembourg at the end of 1990 have now shelved those plans, and are staying put.

Guernsey figures show that despite a substantial drop in sales of authorised open-ended collective schemes in the first nine months of this year, total funds under management there rose by 2.2 per cent to £5.98bn by the end of September. In Jersey, in the quarter ended September 1991 alone, funds under management rose to £7.3bn from £6.9bn at the end of June and from £5.3bn the previous year.

There is no question that at least as far as retail fund products are concerned, Dublin and Luxembourg in particular are making a serious bid for conventional Channel Islands business. Warburg Asset Management, which manages nearly half the funds in Jersey, shifted its retail funds to Luxembourg last year – along with several other significant players including Fidelity Investments and Wardley, which moved out entirely. Meanwhile, the Isle of Man has cut its corporate tax rate to 5 per cent compared with 20 per cent in the Channel Islands, and is actively soliciting funds.

However, fund managers say they are responding by seeking alternative sources of business. Sterling deposits are by far the largest single currency, and managers are anxious to diversify. Colin Powell, Jersey's economic adviser, said local fund managers are seeing business from corporations, particularly in Japan, which are replacing the retail funds which have departed to Luxembourg.

This is borne out by Richard Robins, general manager at Kleinwort Benson (Jersey) Ltd, who said his company has recently seen an influx of funds from Japanese life insurers who want an offshore European manager. Jersey's attraction, he said, is precisely that it is not part of the EC. Thus it is a low tax environment and not likely to be subject to any European moves on tax harmonisation or disclosure rules.

Similarly, Chase Bank and Trust says it has gained two new Japanese clients in the past month alone, each bringing over £100m in new funds to Jersey.

David Oldfield, manager of Warburg Asset Management in Jersey, however, says that while fund managers are looking towards Europe and the Far East for growth, the process will be slow. "The Japanese are not surging through the streets of Jersey with lots of yen in their hands," he said.

Meanwhile, fund managers are now making a sober reassessment of the advantages of the Dublin and Luxembourg markets. Bruce Reilly, director of Guiness Flight's Guernsey operations, says that while Luxembourg-based Ucits (Undertakings for Collective Investment in Transferable Securities) may be marketed throughout the EC without legal restriction, there are practical barriers to their sale. In Germany, for instance, where 90 per cent of retail funds are distributed through banks – which largely sell their own products – the market may be limited. Similar distribution problems exist in France.

Approved Channel Islands funds, on the other hand, may be sold without restriction in the UK, and Guernsey has obtained permission to market recognised funds in Spain and Japan. Recently, Hambros Fund Managers launched its Super Asean Japanese Growth Fund, to be marketed in Japan and the UK.

Mr Reilly said the first task of the local fund management industry is to get costs under

There has been a revolution in the automation of the industry over the past 18-24 months

control. If fund managers fail to pare margins, they risk pricing their products out of the market.

"There's been a revolution in the fund management industry here over the past 18 months to two years," Mr Oldfield said. Most managers, including Warburg, have sought to automate functions as far as possible. While some of that drive was prompted by Jersey's zero-job growth policy – which forced firms to look for substitutes for staff – pressure from parent companies has helped as well.

Norma Cohen

Launderers and other villains kept at bay

A sound regulatory regime vital to customer confidence

BOTH Jersey and Guernsey regard most of the world as a potential market for their financial products. The client base is largely expatriates of differing nationalities and high net worth individuals who have tailor made structures to enable them to move their money around wherever suits them best.

A sound regulatory regime is necessary to ensure customer confidence, without which the islands' finance sectors would lack stability. The island authorities regulate deposit taking, investment and insurance. Most of the regulations are modelled on the UK's Financial Services Act, but have been adapted to suit the particular market needs of the islands.

A great advantage for Channel Islands-based institutions is the accessibility of the regulators. Face-to-face discussions with the regulator can often result in a problem being solved without the need for mounds of paperwork, and in a manner satisfactory to both parties.

However, this degree of flexibility stops short of any part of the regulations that could directly affect the end user, such as advertising and capitalisation. The laws are there to protect the clients of institutions, and so are the regulators.

In Jersey this work is done by the Commercial Relations Department under Richard Syvret. In Guernsey it is the Financial Services Commission headed by John Roper.

In October this year, Jersey's new banking law came into force, based on the 1987 UK Act. "Though it is modelled on

John Roper: 'Against turning this business into a club'

the UK Act, there are differences, such as the fact that we license banks annually in the island," said Mr Syvret.

Jersey has also produced new company law, which will be implemented from April 1992. It has greatly improved many areas of the island's company law, such as liquidation procedures.

The Channel Islands are very aware of their vulnerability to the skills of the international money launderer, and the authorities issue guidance to deposit takers. The main legal weapons against money laundering are the Drug Trafficking Offences and the Prevention of Terrorism laws, both modelled on UK laws. Under these laws, deposit takers are required to co-operate with the authorities by providing information on a client's account if required to do so by a court order.

Deposit takers are also asked to report any transactions they may be suspicious about.

For many bankers, these requirements were difficult to come to terms with after years of conditioning to complete customer confidentiality.

Disclosures made to the authorities under the terms of these laws do not constitute a legal breach of client confidentiality, however; and most bankers are so keen not to be tainted by money laundering that the system now works well.

Deposit takers are asked to make rigorous checks on a new client's identity, and to take special care over any transactions for non-account holders. The authorities need to establish an audit trail for suspicious funds, so banks are also asked to obtain and retain, when possible, identification documents of potential customers they decline to accept because of serious doubts about their bona fides or activities.

Another area in which the Channel Islands feel vulnerable is that of fiduciary business, the formation and administration of trusts and companies.

These areas are largely unregulated in offshore centres around the world. Though their main purpose has been to aid tax planning and asset protection, they have proved to be open to abuse by criminals and other less scrupulous individuals.

Both Jersey and Guernsey are in the process of constructing regulation for this work. The islands are looking at the "fit and proper" concept for those administering the business, but each island is tackling it differently.

Mr Syvret said Jersey intends an annual licensing system for each person or institution. "We would look to see they are fit and proper persons and that, with regard to structure and business plans, they carry on their business in a fit and proper manner.

"It is receiving a lot of support in the market place, as it is an area where Jersey is most vulnerable. But we are not as vulnerable as some, because we have had good start up controls on new businesses for many years," he said.

The licensing scheme is expected to come into operation in 1993, and an officer has already been appointed to head the relevant new department, the Financial Business Division.

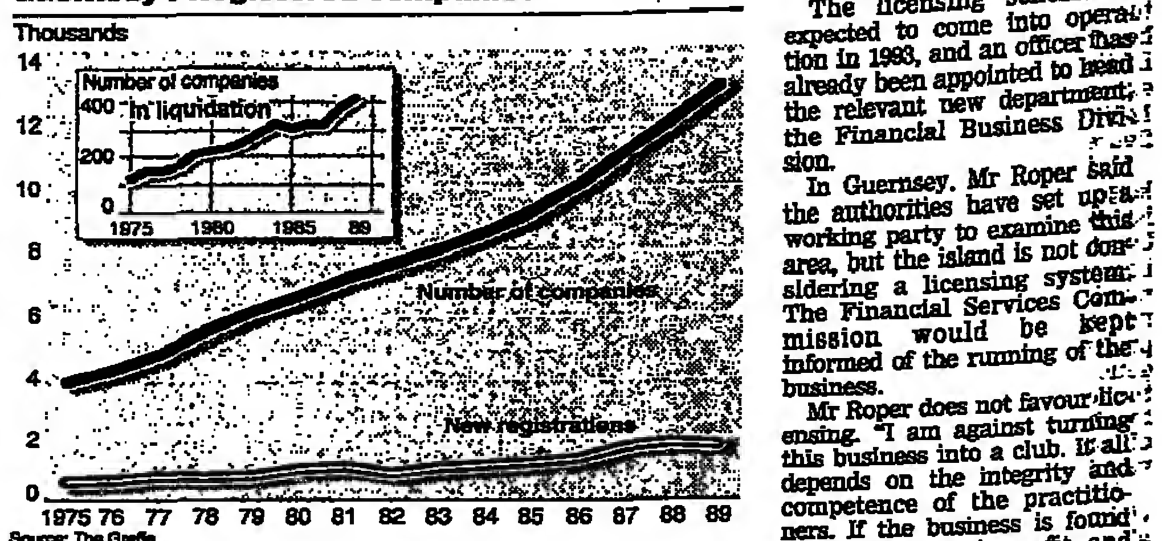
In Guernsey, Mr Roper said the authorities have set up a working party to examine this area, but the island is not considering a licensing system. The Financial Services Commission would be kept informed of the running of the business.

Mr Roper does not favour licensing. "I am against turning this business into a club. It all depends on the integrity and competence of the practitioners. If the business is found not to be run in a fit and proper manner, the commission would have the power to wind it up."

It is a large and complex area of financial services, with practitioners ranging through bankers, accountants, lawyers and specialist firms or individuals. But both islands seem determined to regulate it, which will further enhance the Channel Islands reputation for integrity.

Sue Stuart

Guernsey : Registered companies



Source: The Greffe

Thinking of emigrating?

Multi-millionaires only need apply

LAST month an anonymous buyer paid £950,000 for a 16-year lease on the tiny island of Jethou, one of the smallest of the Channel Islands. For this handsome sum, the buyer obtained a meagre plot of land of less than a quarter of a mile and a small manor house. The catch is that the lessee will be exempted from paying tax for four years.

This may seem a fairly dramatic way to achieve resident status in these tax haven isles, but it may actually be one of the simplest. Jersey and Guernsey have for some years been under such extreme pressure to accommodate new residents that both have evolved very stringent housing laws.

With income tax set at only 20 per cent, no capital, gift or wealth taxes, no death duties and no VAT, the Channel Islands have an immediate appeal for people in high income brackets.

Jersey and Guernsey have evolved into cosmopolitan communities, which suits some people's leisure requirements, while the smaller islands retain a slow, quiet, rural way of life. With a mild climate and an abundance of wild life, the islands are a much sought-after place of residence for those emotionally strong enough to withstand the social constraints of island life.

Expansion of the finance sectors in Jersey and Guernsey has also put pressure on housing stocks, as many firms and institutions have had to import staff with the required qualifications. The public sector and manufacturing industry has also needed to import staff, and the large tourist industry needs a yearly injection of seasonal workers.

But the islands are small and the institution and strict application of housing regulations has been vital. This ensures they do not become swamped by buildings, and can retain as much of their natural beauty as is practicable.

Jersey is 45 square miles in size, with a resident population of 86,000. In 1961 the population stood at 62,000, in 1971 at 72,000 and by 1981 had become 76,000, so the increase has been fairly steady over the past 30 years.

There are banks (above), and then there are banks (top right). The way one chooses to do business may vary, but in the Islands one thing is de rigueur – lots of money

For very wealthy potential immigrants, the island has a policy of granting five housing consents per year.

A consent covers the individual and his or her household and has been set at five for several years now, prior to which it was 15.

The authorities receive many inquiries each year, but after discussion the actual number of applicants is usually whittled down to around ten. Decisions on consents are made once a year and having satisfied themselves as to the individual's background, the authorities issue the five consents to those able to contribute most to Jersey's exchequer.

Each year's decisions depend on the number and asset values of the applicants. Last year those gaining consent had global assets valued at around £10m, but this year applicants' asset values were higher, so the level was increased by around 50 per cent. One notable exception in recent years was John Nettles, the star of Bergerac. After much local lobbying for his entry, the authorities eventually decided he had made such a contribution to the island in other ways that he was granted consent.

Apart from the top five, a person generally needs between 10 and 20 years' continuous residency to be eligible to lease or purchase any property, whether Jersey-born or not. The circumstances creating eligibility vary considerably, and for those with less than 10 years' residency there is little opportunity, even for those designated essential workers.

Essential workers may occupy "suitable accommodation on a service basis" by virtue of their employment, and subject to consent from the housing authority.

Guernsey has tackled its housing problems by instituting a two-tier housing market. The island is 24 square miles, and has a resident population of 60,000. In 1961 the population was 45,000, in 1971 it was 51,000 and by 1981 was 53,000.

Anyone wishing to live in Guernsey may buy one of the 2,000 homes listed on the open market, but prices are very high. A terraced house will cost around £200,000 and prices of larger residences go up to £1.5m.

Many purchasing open market houses do so through a company, thus retaining their anonymity. But anyone seeking to purchase or occupy a property on the local market, which is considerably cheaper, needs a housing licence to do so.

Housing licences are generally granted to those deemed essential to the island community, in either private or public sector. This may include doctors, teachers, architects, accountants, and general managers with specific qualifications or experience. The criterion for granting a licence is that the person's skills cannot be found within the island.

Those wishing to work also need to obtain a "right to work" document from the housing authority, which will allow them to occupy property.

Alderney and Sark do not have housing controls, but property can be scarce and is expensive, though Alderney currently has available property. Alderney also operates a work permit system, which so far has proved very flexible and only insists the applicant does not have a criminal record.

Sue Stuart

FOR MANY years the governments of the Channel Islands have pursued a policy of ensuring tourism operates as a very close second string to their economic bows. Blessed with a group of beautiful islands and a temperate climate upon which to build the industry, the authorities have worked hard to produce an efficiently run, comfortable and interesting environment for the visitor.

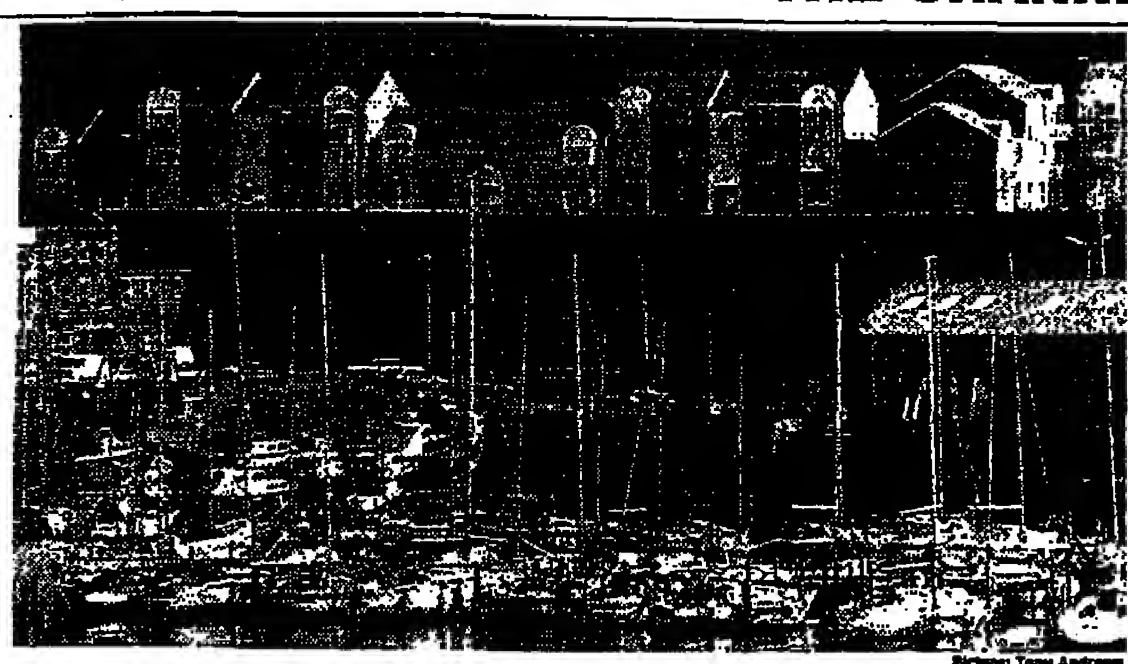
Recession in the UK has reduced numbers of visitors to the islands this year in a market that traditionally relies on British visitors. The islands experienced a downturn of 12-15 per cent on last year's figures.

This is nowhere near as large a decrease as some British resorts have experienced, but the islands' figures were boosted by an increase in the number of visitors from continental Europe. The islands' proximity to Europe and energetic marketing strategies by the tourist authorities have led to a consistent annual increase of continental visitors over the past few years.

Although the decrease in UK visitors meant beds were available and there was thus an increase in European visitors, Guernsey will not be relying on the continental market. It will be targeting the UK market in 1992, as it still sees that as the island's main source of visitors. Said Michael Walden, director of the Guernsey Tourist Board: "We must accept the UK recession has hit us, but we hope it is bottoming out now, and we would expect to recover much of what we lost."

Strategies might change. "Our market is price-led and the costs of accommodation and travel are beginning to worry us. We have asked the industry to address this problem, although I suspect that in some parts of the industry there has been a tendency to up prices rather than ride the recession," he said.

With both islands experiencing rising inflation, the ability of small tourist hotels to keep prices in line with the Continent becomes still more difficult. To some extent the tourism industry is helped by the fact that much of its labour is seasonal and imported from Madeira. However, it has not completely escaped the salaries spiral among local staff caused by the finance industry's fierce competition for skilled workers.


Picture: Tony Andrews

A foreign place where the natives speak English: long a dream destination for the British, the Channel Islands have begun to lure Continental visitors as well

TOURISM

Wish you were here

Continental visitors now account for 12 per cent of all tourists to Guernsey, and in Jersey this figure is about 18 per cent. There is a greater emphasis on luring still more: Sheila Henwood, director of Jersey Tourism, says the European share of its marketing budget has been increased to 35 per cent.

For nine years Jersey has had PR offices in London and Paris, and this year it added offices in Ireland, Germany, Scandinavia and Switzerland.

Both islands have a healthy conference trade, but this also dropped this year

Both islands have a healthy conference trade, but this also experienced a drop in figures this year. Mrs Henwood said Jersey was down 25 per cent on 1990, which was the island's best-ever year for this trade with 67,000 bed nights sold.

Mr Walden said this sector was beginning to pick up again in Guernsey. Most of the decline, he added, had been in small business and sales conferences.

"Transport links are the key to continental Europe for us," says Mrs Henwood. "We are well served now, but would like to be better served." From the UK there are direct flights from London and 30 regional airports; from the continent there are flights from France, Germany, the Netherlands and Switzerland. There is ready access by sea in the summer months, from both the UK and France.

Inter-island travel is by Aurigney airline. Its fleet of little yellow aircraft island-hop year round, braving even very adverse weather conditions.

However, officials on both islands admit that the rise of low-cost package holidays to warm climates presents serious competition to the traditional tourist base.

The Channel Islands have such a variety of assets that their market appeal is wide. The internationalism of the finance sectors in Jersey and Guernsey has been largely responsible for encouraging high standards and sophistication in accommodation.

There are good hotels and excellent restaurants in all price ranges.

For the holidaymaker preferring a slower, more rural environment, the smaller islands of Alderney, Herm and Sark have a timeless quality.

St Anne, Alderney's capital town, has cobbled streets lined with small shops and offices. One can visit a number of unspoilt beaches or historic sites – and take a a ride on the shortest working railway in the world.

Closest to Guernsey, Herm is very proud of its long white sandy beaches, where exotic shells are deposited by the sea and avidly collected by visitors.

Sark is most famed for the tranquility deriving from the lack of motor transport, apart from farm tractors.

Visitors often comment not only on the dramatic scenery and abundant wildlife, but also on the overall cleanliness and tidiness of the islands. Freshly painted houses and clean streets clearly demonstrate the islanders' pride in their environment.

Sue Stuart

Still a leader, but ...

Banks tighten their belts

ALMOST immediately upon introduction, Channel Islands bankers – and their regulators – will tell you out that when BCCI came seeking a licence in the early 1980s, it was turned down. Such is the sensitivity of the local banking industry to the critical matter of security.

Indeed, Channel Islands banking has grown up on its image as a safe haven – free from financial scandal, from political upheaval and from onerous taxation. And local bankers say that the upheavals of the past year – particularly the Gulf war and the collapse of BCCI – have only enhanced the Channel Islands' image of safety.

But after a decade of growth, local bankers are having to cope with the effects of a worldwide recession which, most critically, has forced them to think about controlling costs. While banks have shown little sign of pulling out of the Channel Islands – indeed, four or five international banks are said to be preparing applications to open shop in Jersey alone – several have reduced their operations. Only one, First National Bank of Chicago in Guernsey, has actually pulled out.

Channel Islands bankers, whose mainstay is private banking for wealthy individuals, say that so far, the effects of the recession have been negligible.

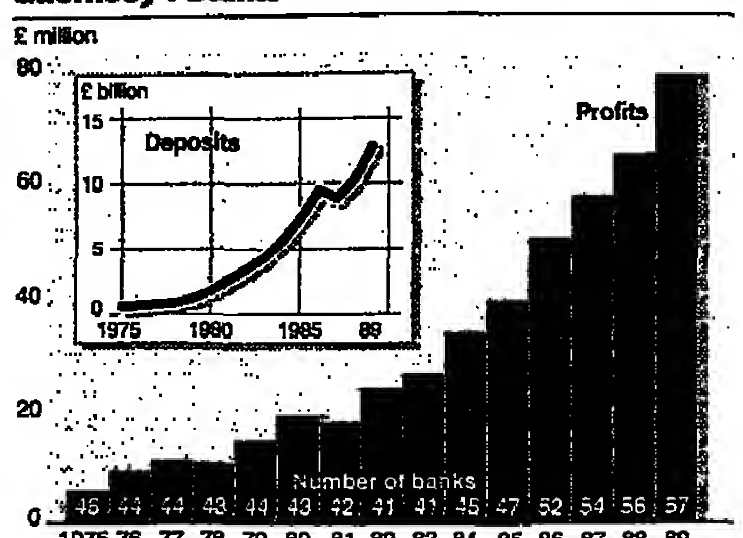
Deposits in both Guernsey and Jersey are still growing, albeit more slowly. Jersey for instance, saw net deposit growth of about $500m in the first half of 1991 after net deposit growth in the last quarter of 1990 alone of roughly £2.3bn.

Guernsey's have grown by £500m in the past year, a much slower increase than the £2.5bn reported the year before.

"We've seen a slowdown of new business coming in the door," said Richard Robins, director and general manager of Kleinwort Benson (Jersey) Ltd. "The bigger effect is the increased competition for the same business."

Mr Cliff Harrison, director of management consultancy services at Coopers & Lybrand Deloitte, said that within the past nine months, a number of banking clients have sought advice on cost control. "Clients want to assess the costs of delivering different kinds of products."

Guernsey : Banks



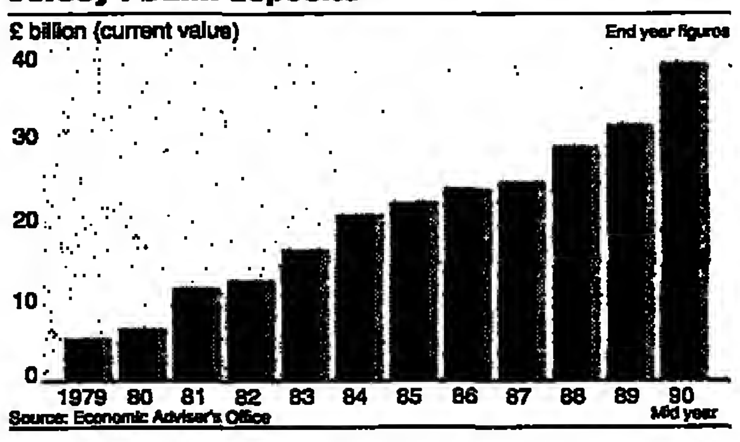
Source: Financial Services Commission

Increasingly, he said, banks are shedding their low-margin businesses, particularly deposit gathering and fund management for smaller retail accounts.

Indeed, Mr Julian Bubb, director of Chase Bank and Trust Co, said that despite the recession, deposits are continuing to grow, albeit more slowly. He said Chase is currently working on a new computer system which will allow it to increase business by 15 per cent with no increase in staff, and is also looking at automating some aspects of its trust administration business.

Meanwhile, Chase is focusing on higher margin business. While the number of accounts has remained static over eight years, deposits have grown by 65 per cent, with the average size of each account growing to $1.6m from $250,000.

Jersey : Bank deposits



Source: Economic Adviser's Office

The silver lining to the recession, which has had only a minimal impact on the financial services industry in the Channel Islands, is that staff salaries are growing slowly and staff are staying in place longer. Mr Harrison estimates that while average staff turnover was 15 per cent a year or so ago, it has fallen to roughly 5 per cent. The slowdown in turnover has given banks a cushion of well-trained workers, allowing them to improve service to customers.

Meanwhile, the arrival of building societies in the Channel Islands has not proved the threat that many bankers had first feared. While five are operating in Guernsey, only two are now in Jersey, and regulators say they intend to keep it that way.

John Panter, manager of the Halifax's Jersey office, said that when the building society first opened its offices two years ago, "the banks watched every deposit that came in". However, he said, the building societies are largely concentrating on a different customer base. Indeed, Colin Powell, Jersey's economic adviser, said building societies were admitted on the understanding that they would bring in new deposits and that they would not seek business from UK residents.

Mr Panter said the Halifax applied for a Jersey licence after surveying its non-UK resident customer base and finding about 40,000 who were interested in maintaining offshore accounts. Over the past two years, it has doubled the number of accounts and deposits have risen to £480m.

So far, it has limited its activities to deposit gathering, although Mr Panter says Halifax might be interested in selling products such as so-called 131(c) expatriate pension plans.

And, like the banks, Halifax is wrestling with the issue of cost. It is turning away from low-margin smaller retail accounts and focusing its efforts on larger ones. The average size of account has risen to £50,000 from £10,000 at the outset. Minimum balances have been raised to £10,000 from £1,000.

Norma Cohen

INSURANCE

More captives wanted

WHILE Guernsey is still the leading location for UK parented offshore captive insurance companies, it can now feel its competitors breathing hotly down its neck. To date, the island is domicile for 200 captives, but the Isle of Man and Dublin are making inroads into Guernsey's potential client base.

A captive insurance company is a wholly owned subsidiary that insures some or all of the risks of its parent company.

This year, Guernsey added to its attractions as a location by announcing a reversion to optional tax exemption for captives, applicable from 1st January 1992.

This tax option existed in the island prior to the passing of its 1986 insurance law, and will place Guernsey in a very competitive position to attract new UK and European parented captives.

It also means the island offers a flexible tax regime for captives with three options:

- A company qualifying for exemption will pay a fee of £500 and is likely to be sought by European and some UK owners and multi-owner captives.
- A second option is to pay tax only on investment income of shareholders' funds on a sliding scale ranging from 20 per cent up to £250,000, 1 per cent on the next £250,000, and decreasing rates thereafter. Many existing UK parented captives already located in Guernsey operate under this option and will probably continue to do so.
- The third option is to pay the full 20 per cent on net profits, but payment can be postponed until claims are paid or profits taken. This format is most suited to liability business, financial insurance business or North American casualty accounts.

The prospect of a tax break is certainly very attractive to one of Guernsey's largest captives, Polygon Insurance. Polygon is a multi-owner company with the world's largest single placement in aviation.

Its major owners are KLM, SAS, and Swissair, but there are 35 other owners including Air UK. It has a fleet value of $19bn and since its formation in 1975 has been managed in Guernsey by Transglobe Underwriting Management. Transglobe is wholly owned by the English & American group.

Ian Daish, general manager of Transglobe, said: "Our clients come to Guernsey for professional reasons and tax is a lesser issue. There is the infrastructure here to provide the technical underwriting capabilities clients seek. But the captive has to survive as a commercial animal so if it gets a tax break the client is always happy."


Steve Butterworth: an increase in inquiries

John Parkinson, managing director of International Risk Management, said: "The creation of exempt companies is a very positive move and makes Guernsey a highly competitive location.

"Business is still very buoyant, and as the market hardens, particularly in financial cover, I see a continuing development of existing and new captives."

A survey undertaken this year by the island's Financial Services Commission showed that among the 14 resident insurance company managers, there is capacity to manage up to 70 new captives.

The survey said this would only require the addition of two staff to the 97 already employed in that sector of the industry.

Guernsey has not the space to accommodate a large increase in personnel, so such an option for expansion of its financial services is very attractive.

Steve Butterworth, the island's superintendent of insurance business, said: "We are receiving an increase in inquiries for captives from both the UK and Europe. There are still a lot of institutions in the UK without a captive and European institutions are just waking up to the idea.

"We already have four French parented captives here and I expect a lot more European ones to be formed."

The island's life sector remains steady, and each of the nine companies has increased its premium income. But Mr Butterworth does not anticipate an increase in the number of life companies in the island because they are heavy on administration and there is not the physical capacity for large numbers of staff.

Ed Atter, chief executive at Sun Alliance International in Guernsey, said the offshore life industry is going forward more rapidly than its UK counterpart.

"In the UK they are all chasing the same business and so are harder hit by recession. We have a much larger market to address, expatriates of all nationalities worldwide, so if recession hits an area we can go elsewhere," he said.

"We also benefit in Guernsey from regulation that is more geared to practical issues than exists in larger territories such as the UK.

"We personally know our regulators and can discuss matters with them before decisions are made," he added.

Guernsey is in the process of constructing a code of practice to regulate insurance intermediaries, who will need to be registered with the insurance authority.

Mr Butterworth said, "The code of practice will apply to both intermediaries dealing with a number of insurance companies on behalf of clients and to representatives selling insurance for a company or companies. The representatives will not need to be registered with us but will require a certificate from their principals."

He said he hoped this new area of regulation will be implemented by late 1992.

Sue Stuart

COMMODITIES AND AGRICULTURE

Restoring Kuwaiti oil output 'may cost $15bn'

By Mark Nicholson in Vienna

RESTORING KUWAIT'S oil production capacity to 2m barrels a day and refining capacity to 650,000 b/d was likely to cost between $10bn and $15bn over the next three years, Mr Homoud Al-Rqoba, the emirate's oil minister said yesterday.

Speaking after this week's ministerial meeting of the Organisation of Petroleum Exporting Countries in Vienna, Mr Al-Rqoba said Kuwait would finance much of the recovery out of its rising oil revenues but would "most likely" have to return to international markets to borrow money for the programme. Kuwait has already raised a $5bn syndicated loan since liberation.

The minister said Kuwait, which is at present producing 500,000 b/d, was on course to increase output by 50,000 b/d a month to a level of between 1.5m b/d and 1.7m b/d by the end of next year. Total output, including some 170,000 b/d from the neutral zone shared with Saudi Arabia, was expected to reach 860,000 b/d by the start of the second quarter.

Mr Al-Rqoba said Kuwait would have sufficient capacity at its export terminals to export its rising output and expected to raise total production capacity to 2m b/d by late 1993, compared with 2.5m b/d before the Iraqi invasion.

Homoud Al-Rqoba: Much of the recovery will be funded out of oil revenues

Kuwait's refining capacity, at present some 170,000 b/d, will be raised to 650,000 b/d by early 1993 with output from the Mina Abdullah, Mina Ahmadi and some from the Shuaiba refineries. Further studies will be undertaken before any decision is made about raising capacity to the pre-war level of 750,000 b/d.

Mr Al-Rqoba said production would be frozen at a maximum level of 1.7m b/d for six months to enable a full assessment of damage to the reservoirs before any possible further rise. Kuwait's last Opec quota was 1.5m b/d.

Kuwait intends to produce to available capacity up to its chosen peak and categorically rules out any prospect of it joining any possible round of Opec production cuts should the oil market weaken significantly next year.

Kuwait also revealed for the first time yesterday the total cost of controlling the 727 blazing and gushing oil wells damaged by the Iraqis, which Mr Al-Rqoba put at $1.3bn, allowing for depreciation on some $600m worth of equipment bought by the government to attack the fires.

The figure excluded any assessment of losses incurred through the wastage of oil, for which Kuwait has yet to reveal, or even calculate, an overall figure. Early government estimates after liberation put losses at $120m a day, but estimates varied greatly as to the total amount of oil actually going up in smoke.

LME copper market probe urged

By Kenneth Gooding, Mining Correspondent

COPPER CONSUMERS gave the London Metal Exchange an unprecedented public rebuke yesterday when they called for it "to investigate with urgency apparent distortions in the market and to take all necessary steps to ensure that an orderly and true market prevails".

The International Wrought Copper Council, which represents producers and consumers world-wide, pointed to the substantial LME premium for metal for immediate delivery compared with three-month copper. The IWCC said the situation appeared to have no connection with the supply-demand situation and "is causing damage to the copper fabricating industry, which already is having to cope with the effects of the economic recession."

There was an immediate reaction once the IWCC made public its letter of protest. The premium, or backwardation, which had widened to £57 a tonne in early trade, narrowed to £16 by the close last night. Traders said this anticipated possible action by the LME executive to set limits on the copper premium.

The LME said it was "already closely monitoring the situation and would take whatever steps were needed to ensure an orderly market."

Forestry's $29bn pollution bill

Robert Taylor on a report calling for drastic remedial measures

THE COST of forest losses through air pollution in Europe and the European land mass of the Soviet Union amounts to at least $29bn a year and the losses will continue at the same rate over the next 100 years unless drastic remedial measures are taken.

This is the calculation made by Professor Sten Nilsson from the Swedish university of agricultural sciences in a five-year study of the future potential of European forests to be published early in 1992 by the International Institute for Applied Systems Analysis based in Austria. The investigation claims to be the first comprehensive effort to quantify the impact of air pollution on Europe's forests in economic terms.

As Professor Nilsson told a press conference in Stockholm yesterday the sustainable wood supply for industrial and energy uses in Europe could be increased by as much as 140m cubic metres a year in comparison with today's harvests. This would correspond to an additional income of at least $45bn annually.

But this is unlikely to happen on current trends. The study calculates the loss of forest harvests caused by air pollutants at 16 per cent loss of total potential harvests up to 2000-2005 or 85m cubic metres a year.

However, unless measures are taken at once to reduce air pollution and improve forestry management in Europe – warned Professor Nilsson – by 2010 timber demand might exceed supply by nearly 150m cu m a year. Only rapid action to improve forestry management and make drastic cuts in the present emissions of sulphur, nitrogen and other major air-borne pollutants will begin to make a difference.

But the detailed figures in the study suggest that even this will not be enough to save the forests in Germany, Poland, Czechoslovakia and the eastern parts of Germany. These indicate that the estimated average loss of forestry production due to air pollutants to 2000-2005 will be 16.8m cu m a year in Germany; 11.1m cu m in Poland; and 9.5m cu m in Czechoslovakia. The total loss for Europe is put at 82.5m cu m a year.

The economic loss arises from three main elements: the value of the timber lost; the decline in value added through industrial processing of the wood into products; and the loss of environmental and social benefits like tourism, recreation, protection of soil and water and deterioration of wildlife habitat.

Professor Nilson believes that the cost of air pollution damage in Europe is understated. He says that if the impact on human health and ecological systems other than forests is included, as well as buildings and infrastructure the annual loss was between $160bn and $260bn.

However, his study suggests that rapid pollution abatement strategies at a cost of at least $90bn a year could increase the potential of the European forests to 535m cu m of wood or roundwood equivalents.

Professor Nilsson has calculated there could be a 40 per cent expansion in the European Community's forest products industry and a 15 per cent increase elsewhere in Europe if appropriate action was taken to combat air pollution.

There could also be a 20 per cent growth in the European area of the former Soviet Union, 7 per cent in the Nordic region but none at all in the decaying forests of central Europe. Here at the end of the 1980s only 73 per cent of capacity was being utilised and this is likely to fall to 62 per cent in the coming years.

The study suggests several measures that should be taken by policy-makers to deal with the pollution problem in Europe's forests. These are:

- A reduction of sulphur, nitrogen and concentrations of ozone as much as possible over as large an area as possible. Current efforts to reduce the levels of sulphur and nitrogen dioxide emissions are costing Europe an estimated $16bn a year. Professor Nilsson estimates it will require $90bn of spending annually to achieve forest sustainability.
- The implementation of more efficient forest management policies. The study argues that if current silvicultural practices continue they will further decrease forests sustainability and hasten the decline of Europe's forests.
- The establishment of an international convention on sustainable forest management and conservation. It is being suggested this might emerge from next June's United Nations conference on environment and development being held in Brazil.

No doubt, the damage being done by pollution to Europe's forests needs "a concerted and co-operative effort by all the countries involved". As the study insists "improved silviculture practices can mitigate the damage visible today and should be implemented, but this alone will not eliminate the serious threat".

One set of statistics underlines the problem. Even if there were no further decline due to air pollutants Europe would face an annual roundwood deficit of 40m cu m a year by 2010 but if the decline caused by air pollutants is added the annual deficit climbs to as much as 130m cu m.

Future Forest Resources of Western and Eastern Europe; The International Institute for Applied Systems Analysis, A-2361 Laxenbrug, Austria

Algeria cautious on demand hopes

By Mark Nicholson

ALGERIA YESTERDAY sounded a strong note of caution about optimistic forecasts by the Organisation of Petroleum Exporting Countries for oil demand in the first quarter of next year and held open the possibility that producers of light crude would act together to shore up prices for sweeter oil if the market weakened substantially next year.

Mr Nordine Ait Laoussine, Algeria's energy minister, told a press conference after the close of this week's Opec summit in Vienna, that his delegation had warned the summit that "we are not talking about a price explosion but perhaps a glut for the first quarter".

Mr Laoussine's warning followed the decision by Opec ministers on Wednesday to allow the organisation's 11 fully-producing members to continue pumping oil at near capacity, implying total output for the first quarter next year of up to 23.8m b/d as Kuwaiti production rises.

Saudi Arabia and Venezuela are both strongly optimistic about the call on Opec oil for the first quarter, with Mr Celestino Armas, the Venezuelan energy minister, suggesting Opec's expected output could still fall 1m b/d below demand.

However, Algeria, Iran and Libya, in particular, argued at the summit that Opec should be alive to the danger of a weakening oil market, particularly in the second quarter of next year. For the first quarter, Mr Laoussine said he expected oil companies to draw down between 1.5m and 2m b/d of stocks, particularly if they anticipate a weaker price in the following quarter, which would itself soften the early 1992 market.

Mr Laoussine said Algeria had sought at the summit to "tone down the euphoria" about prospects for next year. "We are not saying the outlook for the first quarter is bad," he said. "We are just trying to caution our friends."

Despite the wishes of Algeria, Iran and Libya to develop at this week's summit some contingency plan for possible production cuts for the second quarter, this decision will be deferred until a Ministerial Monitoring Committee meeting in February which is unlikely to be nearly as swiftly or as cordially concluded as this week's two-day summit.

"We are not talking now about cuts because we don't want to determine now what to do," said an Opec official, citing particular uncertainty over likely levels of Soviet oil output early next year.

Nevertheless, ministers agreed to stay in close contact and to call, if necessary, an extraordinary MMC meeting before February if the oil price weakened substantially. No minister, however, would commit himself as to what price might trigger such a meeting.

However, Mr Laoussine said that Algeria, along with Libya, Nigeria, Indonesia and Gabon, Opec's main producers of light crude which recently formed an grouping – known informally as the "light brigade" – would be prepared to act alone to shore up prices for their own oil if Opec failed to agree collectively on action to limit production in a softening market.

The minister said the group of five was not seeking artificially to inflate price differentials between light and heavy oils, but merely to defend their interests. "Our intent is to prevent a collapse in out prices," he said. "We are not an aggressive group, we are a defensive group."

Mr Laoussine said that the five would countenance production cuts among themselves if they felt them warranted.

He also said that, faced with a weakening market in the second quarter, Opec would have to reimpose some form of quota system. "We had our first discussions on this here," he said. "We will have our first serious shot at it in February."

Soviet mining taxation plans 'totally out of line'

By Kenneth Gooding

SOVIET REPUBLICS were considering proposals that would make it impossible for western mining companies to invest there, Mr Bob Wilson, managing director of the RTZ Corporation, the world's biggest mining group, suggested yesterday.

For example, Russia and some other large republics were talking about a tax regime for mining companies that was "totally out of line". It would include a 30 per cent tax on income, a 41 per cent payroll tax as well as exceptionally large royalty payments of 15 per cent.

At the same time, the republics wanted international mining companies to join them in joint ventures but had made it clear they had no money to share the costs.

"That's not my idea of a joint venture," said Mr Wilson at a meeting with analysts in London.

The Soviets also would prefer those ventures to involve mines and facilities currently operating. RTZ could not possibly consider taking on all the liabilities this would involve, including dealing with the overmanning endemic in the Soviet mines, overhauling labour practices and taking responsibility for potentially huge environmental clean-up costs.

RTZ would be interested in investing in the Soviet republics only if it was offered world-class, previously untapped mineral deposits and then only if a decent infrastructure was in place – for example, to enable metal or concentrates to be transported to a port without having to go through another republic.

Mr Wilson said there was no doubt that in the long term the changing political structure of the former Soviet Union would have a significant impact on the world's mining industry. But in the nearer term, he said, fiscal and other problems were keeping the international mining companies away.

- Anglesey Aluminium, 51 per cent-owned by RTZ, had no intention of cutting output despite present rock-bottom aluminium prices, said Mr Wilson.

The Anglesey smelter was likely to produce 125,000 tonnes this year, in line with its rated capacity and up from the 124,000 tonnes it produced last year, an RTZ official reported later.

RTZ and Kaiser Aluminium, the US group which owns the other 49 per cent, have implemented a £3.5m redundancy programme to cut costs and increase productivity at Anglesey which will reduce the workforce by 148 or 19 per cent, to 630 by the end of this year. An £11m investment in process and environmental control equipment is just being completed.

The partners said that Anglesey suffered a £5.6m pre-tax loss in the first half of this year and was likely to report a £13m loss for 1991 as a whole.

Peru's Centromin may halt shipments 'at any moment'

By Sally Bowen in Lima

FORCE MAJEURE could be declared "at any moment" on shipments of concentrates from Peru's main state-owned minerals and metals producer Centromin, according to an official of Minpeco, the state minerals trader. Refined products from Centromin were declared subject to force majeure as from 25 November.

Centromin, which accounts for a third of Peru's lead and zinc output, a quarter of its silver and about 10 per cent of its copper, has been on partial strike since November 12. Workers are protesting against planned redundancies, closure of the Andaychagua mine and government privatisation intentions.

According to a company official, by yesterday only the small mines of Morococha, Yauricocha, Andaychagua and parts of the smelting and refining complex at La Oroya were still out. Refining capacity has, however, been badly affected.

Early indications were that there had been little support for a 48-hour national stoppage called for yesterday and today by the Mining Federation. Southern Peru Copper Corporation, which produces two-thirds of all Peru's copper, was reported to be working normally.

The stated intention of the stoppage was to protest against the Fujimori government's "anti-labour policy", against privatisation and mine closures and in support of the Centromin strike.

Mr Victor Lucero Macedo, president of the Mining Federation, also condemned the "militarisation" of the mining camps, which are mostly in the mountain areas where Sendero Luminoso (shining path) guerrillas have traditionally been most active. Mr Lucero complained that workers' rights of assembly had been sharply curtailed.

WORLD COMMODITIES PRICES

MARKET REPORT

The London robusta coffee January contract moved back above £600 a tonne but was unable to break through the recent high of £609. "London tried hard today, but with New York closed for Thanksgiving it just didn't have the heart," one dealer said. Zinc prices firmed on the growing likelihood of a technical squeeze on early 1992 supplies which caused the cash to three months backwardation to widen by $4 to $7.50. The cash price closed $17 up at $1,193 a tonne, aided by the possibility of force majeure being declared on shipments from Peru's centromin (see story above).

Compiled from Reuters

London Markets

SPOT MARKETS

Crude oil (per barrel FOB)		+ or -
Dubai	$17.10-7.20q	+.30
Brent Blend (dated)	$19.90-20.00	+.325
Brent Blend (Jan)	$20.15-0.20	+.325
W.T.I. (1 pm est)	n/a	
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$225-227	+1
Gas Oil	$196-198	+2½
Heavy Fuel Oil	$82-83	
Naphtha	$202-203	+1
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$366.05	-2.40
Silver (per troy oz)♣	410.0c	-1.0
Platinum (per troy oz)	$380.75	+0.85
Palladium (per troy oz)	$84.85	+1.0
Copper (US Producer)	109.05c	
Lead (US Producer)	37.37c	
Tin (Kuala Lumpur market)	14.81r	-.06
Tin (New York)	253.5c	
Zinc (US Prime Western)	62.0c	
Cattle (live weight)†	108.53p	+2.44*
Sheep (dead weight)†	145.20p	+6.15*
Pigs (live weight)†	85.05p	-3.89*
London daily sugar (raw)	$226.5x	-1.0
London daily sugar (white)	$278.0x	-1.0
Tate and Lyle export price	£238.0	-0.5
Barley (English feed)	£125.5u	-0.5
Maize (US No 3 yellow)	£145.0	
Wheat (US Dark Northern)	£101.0	
Rubber (Jan)♥	51.00p	
Rubber (Feb)♥	51.25p	
Rubber (KL RSS No 1 Dec)	220.0m	-0.5
Coconut oil (Philippines)§	$585.0y	
Palm Oil (Malaysian)§	$360.0v	
Copra (Philippines)§	$387.5z	-2.5
Soyabeans (US)	£150.5	+0.5
Cotton "A" index	61.95c	+0.15
Woollops (64s Super)	386p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb r-ringgit/kg. q-Jan t-Sep/Dec u-Jan/Mar x-Nov/Dec y-Jan/Feb z-Dec. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)						Total daily turnover 18,629 lots
Cash	1105-6	1108-8	1106/1105	1105-6		
3 months	1131-2	1135-6	1135/1131.5	1131-1.5	1134-5	138,844 lots
Copper, Grade A (£ per tonne)						Total daily turnover 32,346 lots
Cash	1341-5	1366-8	1352/1340	1350-1		
3 months	1311-2	1319-20	1311/1308	1309-10	1310-1	187,728 lots
Lead (£ per tonne)						Total daily turnover 1,582 lots
Cash	287.5-8.5	287.5-8	287.5	287-7.5		
3 months	298-8.5	298-9	299/297.75	297.5-7.75	302-4	15,071 lots
Nickel ($ per tonne)						Total daily turnover 2,218 lots
Cash	7150-60	7195-205	7155	7155-60		
3 months	7190-5	7220-3	7200/7190	7185-90	7185-200	19,653 lots
Tin ($ per tonne)						Total daily turnover 1,491 lots
Cash	5485-95	5470-80	5472/5471	5470-1		
3 months	5535-40	5525-30	5535/5520	5520-25	5540-5	4,948 lots
Zinc, Special High Grade ($ per tonne)						Total daily turnover 8,733 lots
Cash	1192-4	1175-7	1190	1190-1		
3 months	1185-6	1172-3	1190/1180	1188-8.5	1184-5	38,363 lots

LME Closing £/$ rate: SPOT 1.7680 3 months: 1.7444 6 months: 1.7233 9 months: 1.7015

LONDON BULLION MARKET (Prices supplied by N.M.Rothschild)

Gold (fine oz)	$ price	£ equivalent
Close	365.80-366.30	
Opening	367.30-367.70	
Morning fix	365.45	206.271
Afternoon fix	366.05	206.888
Day's high	367.40/367.80	
Day's low	365.30/365.80	

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	4.63	6 months	4.28
2 months	4.57	12 months	4.19
3 months	4.37		

Silver fix	p/fine oz	US cts equiv
Spot	231.50	410.00
3 months	237.55	414.90
6 months	243.70	419.90
12 months	255.10	430.00

GOLD COINS (Prices supplied by Engelhard Metals)

	$ price	£ equivalent
Krugerrand	366.00-367.00	206.75-207.25
Maple leaf	376.00-377.00	212.50-213.00
New Sovereign	89.25-90.25	50.50-51.00

TRADED OPTIONS

Coffee	Jan	Mar	Jan	Mar
550	108	76		6
600	56	41	3	21
650	22	19	19	49
Cocoa	Mar	May	Mar	May
725	61	86	22	24
750	46	70	32	33
775	34	56	45	44
Brent Crude	Jan	Feb	Jan	Feb
2000	43		26	
2050	21		51	92
2100	10			

INDICES

REUTERS (Base: September 18 1931 = 100)				
	Nov.28	Nov.27	mnth ago	yr ago
	1641.0	1629.0	1652.0	1703.8
DOW JONES (Base: Dec. 31 1974 = 100)				
	Nov.26	Nov.25	mnth ago	yr ago
Spot	115.03	115.18	117.94	123.46
Futures	122.48	122.54	124.70	124.71

SUGAR – London FOX ($ per tonne)

Raw	Close	Previous	High/Low
Dec	188.00	187.00	188.00 187.00
Mar	193.00	192.20	192.80 192.00
May	192.80	193.20	192.60 191.60
Aug	197.80	198.00	198.00
Oct	197.00	195.00	194.00
White	Close	Previous	High/Low
Mar	279.3	277.5	279.1 278.0

Turnover: Raw 182 (264) lots of 50 tonnes. White 45 (586)
Paris- White (FFr per tonne): Mar 1567.70, May 1582.31

CRUDE OIL – IPE $/barrel

	Close	Previous	High/Low
Jan	20.18	19.97	20.25 20.14
Feb	20.04	19.85	20.06 20.00
Mar	19.87	19.68	19.89 19.84
Apr	19.62	19.50	19.70
May	19.47	19.40	19.50 19.46
Jun	19.35		19.35
Jul	19.30		19.25
IPE Index	19.84	19.95	19.84

Turnover 7000 (22596)

GAS OIL – IPE $/tonne

	Close	Previous	High/Low
Dec	195.50	193.00	196.00 194.00
Jan	197.00	194.50	197.75 196.00
Feb	194.50	192.50	195.00 194.00
Mar	189.75	187.75	190.50 189.50
Apr	184.00	181.25	184.50 183.25
May	178.75	176.00	179.00 178.25
Jun	174.75	174.25	175.00 174.80
Jul	176.75	174.75	0.0
Aug	182.00	176.75	182.00

Turnover 10000 (18278) lots of 100 tonnes

FRUIT & VEGETABLES
Spania and Moroccan clementines are this weeks best buy at 38-40p a lb (60-80p), reports the FFVIB. Other good fruit buys are Spanish grapes at 50-70p a lb (50-65p), kiwifruit at 15-25p each (15-25p), and satsumas at 40-45p a lb (45-50p). Root vegetables are excellent with swede at 15-20p a lb (15-20p), turnips at 20-25p a lb (20-25p), carrots at 15-20p a lb (15-20p) and parsnips at 20-28p a lb (18-28p). Potatoes are superb with white and red varieties at 9-14p a lb (12-14p) and pink potatoes at 12-14p a lb (12-14p). Celery is superb at 30-50p a head (30-45p), along with Chinese leaves at 50-60p a lb (50-60p).

COCOA – London FOX £/tonne

	Close	Previous	High/Low
Dec	722	721	722 717
Mar	764	761	765 757
May	787	783	788 780
Jul	811	808	812 803
Sep	835	831	831 826
Dec	862	858	859 854
Mar	888	884	888 882
Sep	937	934	936 931

Turnover: 3825 (13483) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Nov.27 944.06 (940.80) 10 day average for Nov.28 956.42 (955.76)

COFFEE – London FOX £/tonne

	Close	Previous	High/Low
Nov	581	587	584 581
Jan	603	598	609 595
Mar	570	570	574 568

Turnover: 2899 (7914) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Nov.27: Comp. daily 65.27 (64.83) 15 day average 64.79 (64.62)

POTATOES – London FOX £/tonne

	Close	Previous	High/Low
Apr	128.5	127.4	128.5 127.5

Turnover 58 (138) lots of 20 tonnes.

SOYAMEAL – London FOX £/tonne

	Close	Previous	High/Low
Apr	130.00	129.00	
Jun	124.00	123.00	

Turnover 0 (55) lots of 20 tonnes.

FREIGHT – London FOX $10/index point

	Close	Previous	High/Low
Nov	1600	1602	1600
Dec	1623	1630	1625
Jan	1645	1660	1690 1645
Apr	1650	1660	1650
BFI	1595	1599	1595

Turnover 131 (224)

GRAINS – London FOX £/tonne

Wheat	Close	Previous	High/Low
Jan	124.90	124.90	24.90 24.20
Mar	128.15	128.15	28.20 27.55
May	131.10	131.10	31.10 30.45
Jun	132.45	132.70	32.45
Barley	Close	Previous	High/Low
Jan	118.45	118.45	18.45 18.50
Mar	122.60	122.60	22.60 21.75

Turnover: Wheat 517 (609), Barley 115 (116).
Turnover lots of 100 Tonnes.

PIGS – London FOX (Cash Settlement) p/kg

	Close	Previous	High/Low
Jan	104.5	105.5	105.0 104.0
Mar	105.0		108.0
Apr	106.5		107.0 106.5
May	107.0	108.0	108.0
Jun	107.0	109.0	109.0 108.0
Jul	105.0		105.0

Turnover:47 (77) lots of 3,250 kg

MGMI – London FOX

	Close	Prev.	High	Low	Vol
Indx	135.16	136.46	135.18		

Conserving agricultural options for posterity

Geoff Tansey on a plan to protect plant genetic resources

A $1.5bn "global initiative for the security and sustainable use of plant genetic resources" from 1993 to the year 2000 has been called for in a report by a high-level group of individuals drawn from industry, government, international and non-governmental organisations in 22 countries.

"If the loss of plant genetic resources continues unabated at the present rate, genetic options for needed changes in agricultural production in the future will be lost forever," warns the group.

US markets were closed yesterday for the Thanksgiving Day holiday

The $1.5bn needed is additional to that already being spent. It would support action at four levels: in the community to improve and preserve plant genetic resources in the field: nationally to stimulate and support such work and run gene banks: regionally to allow collaboration across borders: and, globally to set policy, mobilise and distribute funds and promote a plan of action.

Although several international organisations work on plant genetic resources, including the UN's Food and Agriculture Organisation and the Consultative Group on International Agricultural Research, the group argue that they cannot do the job at present. They want a new intergovernmental council set-up based on one-member-one-vote and with associate members representing the range of interests working on plant genetic resources. It would be supported by an executive board, a scientific and technical advisory committee and a trust fund drawing on new money.

Just one aspect of the work needed, conserving the total estimated world collection of 4m unique plant samples in gene banks, would cost $200m a year, according to the report. Only $75m a year is spent at present and less than half the world's plant varieties – potential sources of food, drugs or other chemicals – are in gene banks.

These costs compare with an estimated annual world seed value of $50bn in the mid-1980s. "Of this, $18bn was from farmer-saved seed, the public sector contributed $17bn and the private sector $15bn," notes the report.

"The seed industry is behind the initiative", says Mr Tim Roberts, intellectual property manager for ICI Seeds and one the the 41 members of the group organised by the US-based Keystone Centre to produce the report. The centre tries to resolve public policy conflicts by drawing together people from different interests.

"We think the Keystone dialogue has the right approach, but governments must support it," says Mr. Roberts.

There was controversy over who should pay. Some industry participants worried they would have to, others were willing to subscribe what was reasonable, but all the industry opposed a levy on traded seed.

Promoting and financing the initiative should be one concrete outcome of the UN Conference on Environment and Development in Brazil in June 1992, believes the group.

In the meantime, they want to FAO and CGIAR to prepare a $100m emergency programme for funding by the World Bank's Global Environment Facility. This would safeguard genetic collections in areas like eastern Europe and Ethiopia; develop special collections of nitrogen-fixing species, and others useful for promoting sustainable advance in crop production; and a global network of genetic conservation centres of tree species.

Some of the Keystone dialogue group feared that genetic engineering and patenting of the resulting plants would threaten diversity and native varieties in the Third World. "While this is potentially extremely true, it is not an effect of intellectual property rights but of the availability of improved uniform varieties," says Mr Roberts.

He points to the experience of India and Pakistan in the so-called Green Revolution of the 1960s. There, neither patents nor plant breeders' rights were involved, but new, uniform plant varieties which gave farmers better yields and so, were adopted in preference to more varied native ones.

Others feared the control of biotechnology and genetic engineering by large companies. Mr Ed Dart, director of research at ICI seeds, now ranked fifth in the world with a $250m turnover in 1990 but which only started in 1985, plays these down.

"Since the returns from Third World markets are so small, it doesn't matter if they don't come, therefore we could donate these genes to the Third World", he says, and supports a new initiative to set up a gene brokerage between the industrial and developing nations, the International Service for the Aquisition of Agri-Biotech Applications.

Despite disagreements about patents and plant breeders' rights, the Keystone group agreed that they Gatt negotiators had paid far too little attention to the impact of intellectual property rights, like patents, on plant genetic resources and developing countries' agriculture.

Countries should be free to decide whether they adopted such rights and "no country should be pressed to do so", says the report. It argues that when applied to plant genetic resources they could harm "farmer-breeders who still actively maintain important genetic diversity as part of their traditional systems" and that any developing countries implementing plant breeders rights should allow the farmer plant-back of protected varieties.

What is remarkable, in such a wide-ranging group, is the degree of consensus. They have laid down a clear challenge to governments to take genetic resources seriously enough to act.

Final Consensus Report: Global Initiative for the Security and Sustainable Use of Plant Genetic Resources, Keystone International Dialogue Series of Plant Genetic Resources, Oslo Plenary Session, 31 May-4 June 1991, Keystone Centre, P.O.Box 606, Keystone, Colorado 80435, USA

Share prices abandon support levels

Terry Byland, UK Stock Market Editor

SLACK Thanksgiving Day trading in world markets failed to save London from falling through an important support level yesterday as a UK investment trust liquidated stock across the range of the FT-SE 100 list. Concern over the outlook for the domestic economy increased and financial sector stocks came under pressure as City analysts reassessed the costs of mortgage indemnity insurance losses.

The FT-SE Index collapsed after falling through the 2,443 mark last seen on July 1 and closed 18.9 off at 2,428.6. The loss of the July benchmark left the market vulnerable down to Footsie 2,414.8, achieved on the last trading session of the second quarter of this year, when it was quickly followed by a fall of 37.7 points on the Footsie scale.

Account Dealing Dates		
*First Dealings:		
Nov 11	Nov 25	Dec 9
Option Declarations:		
Nov 21	Dec 5	Dec 23
Last Dealings:		
Nov 22	Dec 6	Dec 27
Account Day:		
Dec 2	Dec 16	Jan 6

*New-time dealings may take place from 8.30 am two business days earlier.

Although UK equities have shown increasing nervousness this week, yesterday's fall caught traders by surprise. Equities opened firmer and the Footsie gained 7.4 in early trading as sterling steadied against the German mark. Trading volume, as expected on a day lacking a lead from US markets, was no more than moderate in the first half of the London session.

However, shares began to drift down uneasily on reports that, once again, there were sizeable lines of stock on offer. The decisive blow came in mid-afternoon when a UK based securities house began to sell the FT-SE futures contract. Traders quickly sensed that the selling of the futures was the early warning signal that the same securities house was positioning itself to sell blue chip equities across the range of the market and the Footsie fell heavily to show, at worst, a net fall of 23 points.

Some analysts drew comfort from the market's ability to rally at the FT-SE 2,425 level and reminded clients that the London market lacked a lead yesterday from Wall Street. However, uncertainty over the outlook for Wall Street and for the US economy continued to depress UK investors.

Seaq-reported volume of 556.3m shares yesterday, up from 548.4m in the previous session, indicated an active market. Retail, or customer business has this week been close under the £1bn daily level regarded as the sign of a busy market.

With the US dollar effectively sidelined by New York's closure for Thanksgiving, currency influences on UK equities were much reduced and the international blue chips lacked interest until the domestic selling developed in the second half of the session.

Retail and consumer issues weakened afresh as gloom deepened ahead of the Christmas selling season. After second thoughts, City analysts decided that the decision by leading retailers to open on Sundays in the pre-Christmas period signified alarm rather than confidence.

However, it was the financial sector which suffered most noticeably in yesterday's setback. The postponement of the Maxwell Communication trading statement continued to depress banking stocks, where National Westminster suffered from the downgrading this week by City analysts.

There were widespread losses among the insurance groups as Barclays de Zoete Wedd, the UK investment bank, substantially increased its estimates of potential mortgage indemnity losses at Sun Alliance which occupies a leading role in this sensitive business area.

FINANCIAL TIMES STOCK INDICES

	Nov 28	Nov 27	Nov 26	Nov 25	Nov 22	Year Ago	1991 High	1991 Low	Since Compilation High	Since Compilation Low
Government Secs	85.70	85.76	85.66	85.88	85.88	82.34	87.94 (18/9)	82.17 (2/1)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	95.47	95.44	95.36	95.42	95.66	89.65	97.17 (2/10)	90.59 (2/1)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary Share ●	1856.4	1867.9	1887.7	1878.3	1866.8	1674.8	2108.3 (2/9)	1608.3 (16/1)	2108.3 (2/9/91)	49.4 (26/6/40)
Gold Mines	171.2	170.6	172.2	174.2	169.0	157.8	222.8 (11/7)	127.0 (22/2)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2428.6	2447.5	2471.5	2456.2	2448.3	2136.6	2679.6 (2/9)	2054.8 (16/1)	2679.6 (2/9/91)	986.9 (23/7/84)
FT-SE Eurotrack 200	1111.78	1114.19	1125.86	1110.51	1113.89	.	1198.60 (3/9)	938.62 (16/1)	1198.60 (3/9/91)	938.62 (16/1/91)
●Ord. Div. Yield	5.01	4.98	4.94	4.97	5.23	5.77				
●Earning Yld %(full)	7.45	7.38	7.33	7.40	7.49	12.07				
●P/E Ratio(Net)(☆)	16.86	17.03	17.17	17.00	16.82	10.01				
SEAQ Bargns 4.45pm	20,304	21,998	24,036	23,559	30,035	21,218				
Equity Turnover(£m)†	.	978.32	1058.02	653.66	1021.64	849.35				
Equity Bargains†	.	20,772	23,862	22,458	29,480	19,197				
Shares Traded (ml)†	.	417.9	516.3	340.5	502.1	341.5				

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold mines 12/9/55. Basis 1000 FT-SE 100 31/12/83 & FT-SE Eurotrack 200 26/10/90. ☆ Nil 15.50

Ordinary Share Index, Hourly changes — Day's High 1873.7 — Day's Low 1853.2

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
1866.8	1871.4	1869.5	1862.8	1858.9	1858.0	1857.5	1857.6	1854.1

FT-SE 100, Hourly changes — Day's High 2454.9 — Day's Low 2424.5

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
2451.0	2451.6	2448.7	2440.1	2435.7	2433.3	2432.3	2432.0	2425.3

FT-SE Eurotrack 200, Hourly changes — Day's High 1115.82 — Day's Low 1111.14

Open	10 am	11 am	12 pm	1 pm	2 pm	3 pm
1115.75	1115.44	1112.82	1111.91	1111.80	1111.97	1112.44

GILT EDGED ACTIVITY

Indices*	Nov 27	Nov 26
Gilt Edged Bargains	88.2	89.3
5-Day average	89.9	87.3

*SE Activity 1974.
†Excluding intra-market business & Overseas turnover.

London report and latest Share index: Tel. 0898 123001

Mortgage worries return

THE SHADOW cast over the UK insurance industry since the scale of the losses caused by mortgage indemnity insurance first emerged, loomed large again yesterday as Barclays de Zoete Wedd, the investment bank, sharply increased its estimates of losses at Sun Alliance.

The stock was easily the weakest in a generally depressed composite insurance sector, finishing 17 lower at 292p, the first time the shares have closed below the 300p level since November last year. Turnover, however, was an unremarkable 1.4m. Sun Alliance is thought to account for around 20 per cent of the mortgage indemnity business in the UK.

Mr David Hudson, composite insurance specialist at BZW, raised his current-year deficit estimate from £230m to £375m after a reassessment of mortgage indemnity losses showed up a figure of £300m against a previous estimate of £150m. He said the scale of the mortgage indemnity loss would relieve some of the pressure on Sun Alliance to increase its dividend. He now expects this to be held at 14.25p.

Reuters in demand

Hints that a leading securities house was preparing a highly positive research review of Reuters, the global data communications group, prompted the shares to advance against the generally weak market trend. After an early dip, Reuters climbed steadily to close 21 stronger on balance at 904p, the best level of the day.

BZW's electronics team has prepared a 90-page document backing up its buy stance on the stock and its estimate, around the top of the range of analysts' forecasts, that the company will produce profits of £390m in 1992. BZW was not prepared to comment on the details of the research document but said it would reach clients on Monday morning.

The shares were helped by the closure of Wall Street for Thanksgiving Day as US investors tend at present to take a cautious position on Reuters.

The stock also benefited from a highly positive presentation to investment clients at institutional broker Henderson Crosthwaite earlier this week. However, turnover of 910,000 shares suggested that the stock was squeezed up on thin volume.

BAe rallies

Shares in British Aerospace (BAe) broke out of the recent gloom that has overhung the stock since the spectacular failure of the company's rights issue.

As one of a handful of stocks to buck the market trend, the shares advanced 12 to 310p, with most of the day's gain achieved after a lunch in the City between company representatives and a leading securities house.

Dealers also attributed the rise to sporadic institutional buying at the lower levels and a squeeze as available stock dried up, and to reports of recommendations from Nomura and S.G. Warburg.

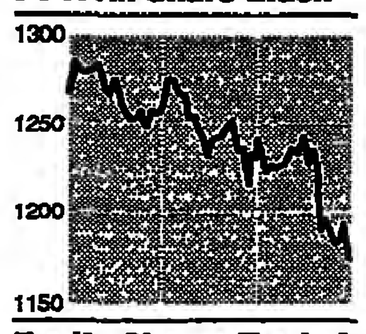
Sentiment was additionally boosted by speculation that the company is about to sign part two of the multi-billion Al Yamamah defence contract with Saudi Arabia, on which it is the lead contractor. BAe turnover reached 1.5m shares.

The rest of the composite insurances followed Sun Alliance lower. Guardian Royal Exchange was the most heavily traded stock, sliding 7 to 139p with 7.3m changing hands. BZW recently lifted its forecast of current year losses from £165m to £180m and expects GRE to halve its final *dividend and the following* interim payment.

Credit Lyonnais Laing, GRE's joint broker, was said to have increased its forecast loss to around £220m, although this was not confirmed.

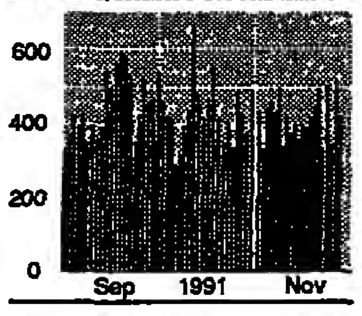
Commercial Union retreated 15 to 437p on 2.4m and General Accident 7 to 435p. Royal Insurance, whose shares have been the most badly mauled by the huge losses on mortgage indemnity, were the most resilient in the sector, closing only a shade easier at 273p.

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million)
Excluding:
Intra-market business & Overseas turnover



Mortgage idemnity casualties were not confined to composites. Legal & General, with an estimated 8 per cent of the market, fell 11 to 365p. The UBS Phillips & Drew downgrade continued to affect Lloyds Abbey Life, which ended 9 lower at 367p.

Preliminary figures from Royal Bank of Scotland were well below market expectations. The shares lost 4 to 165p on disappointing turnover of 2.3m, with dealers expecting *more pressure on the stock* after the gloomy accompanying statement from the bank.

The other big banks gave up more ground, with specialists beginning to worry about the possibility that previously unthinkable dividend cuts may be on the cards. NatWest, still reeling from the big forecast cut by Carr Kitcat, dropped 11 to 288p on heavy turnover of 6m. Lloyds and Barclays fell 8 apiece to 369p and 367p respectively, and Midland 10 to 214p.

Welsh Water dropped 11 to 355p with dealers uneasy about the retirement in 1993 of the chairman and the resignation next month of the managing director. The market was distinctly unimpressed with the interim dividend from South West, described by one trader as "measly, much worse than we had expected". South West lost 9 to 317p.

Pharmaceutical firm SmithKline Beecham slipped 5 to 770p after Goldman Sachs changed its stance on the stock from neutral to "modestly negative" *despite maintaining its* profits forecasts for 1991 and 1992 of £995m and £1.15bn. The change of stance was due to concern about both medium and long-term sales growth for the company. News on Wednesday that SmithKline had decided not to continue developing its anti-ulcer drug Pantoprazole sparked concern over longer term sales growth.

Profit-taking in Glaxo was exacerbated by the closure of Wall Street, where the pharmaceutical company is popular, and the shares fell 7 to 751p.

Stock overhanging the market coupled with continuing negative sentiment lay behind Fison's fall of 9 to 389p.

Interim figures from BPB Industries were as bad as the most pessimistic analysts had expected, with profits more than halved at £24m against £50.4m. The dividend, as forecast, was held. But the market responded to the figures by marking the shares down to a more than five-year low, with *the stock closing 4 off at 142p.* Turnover of 9m was the heaviest since April.

Imminent profit and dividend downgrades left John Laing 17 off at 226p.

Shares in Laporte shot higher in early trading after the specialty chemicals manufacturer announced the reorganisation of Interox, a company it owns jointly with Belgium's Solvay.

However, the shares settled later to close 4 better at 597p with 1.1m traded. One observer said that because the Solvay deal involved cancellation of 16.6 per cent of Laporte's equity it would lower its market capitalisation and reduce its chances of moving into the Footsie 100.

Texas Homecare's participation in the DIY price war pulled parent company Ladbroke Group down 3 to 245p.

Rank Organisation continued its downward drift in low volume, slipping 11 to 641p.

BAA put on 6 to 493p after County NatWest included the stock on its top 30 buy list. New Footsie constituent NFC, however, lost 10 to 219p after it was relegated from County's list. Buying interest at James Capel and Cazanove benefited Cookson Group, which gained 3 to 106p.

Property company MEPC held steady after announcing full-year profits above expectations. The company's net asset value pleased most, staying above the strategic 600p level at 608p. The 1p dividend increase also found favour. After an initial rise the shares eased a penny to 453p.

Negative sentiment continued to hang over Maxwell Communication Corp and *reversed share gains made following* the announcement earlier in the week that the banks would support the publishing group. MCC fell 7 to 38p.

Talk that Australian magnate Mr Kerry Packer might make a bid for Mirror Group was not taken seriously in the market and the shares picked up only 4 to 127p, still well below the group's asset value.

United Newspapers was also said to have benefited from bid speculation and the shares firmed 7 to 381p.

Marks and Spencer clothing suppliers Stirling Group and Ritz Design returned from suspension to confirm the anticipated acquisition of Ritz (up 15 to 200p) by Stirling (off a half penny at 39½p).

MARKET REPORTERS:
Peter John, Joel Kibazo, Christopher Price, Steve Thompson.

■ Other market statistics, including the FT-Actuaries Share Indices and London Traded Options, Page 25.

NEW HIGHS AND LOWS FOR 1991

NEW HIGHS (23).
OTHER FIXED INTEREST (1) Sth. Rhod 4½pc 1987-92, CANADIANS (1) Bank of Montreal, BANKS (1) Deutsche Bank, BUILDING MATERIALS (1) Kalon, BUSINESS SERVICES (1) Reed Exec., CHEMICALS (1) Laporte, ELECTRONICS (3) Druck, Misys, Tunstall, ENGINEERING GENERAL (1) Victaulic, FOOD RETAILING (1) Park Food, HEALTH & HOUSEHOLD (1) Hafslund Nycomed Free A, HOTELS & LEISURE (2) Airbreak Leis., Airtours, MEDIA (1) Trans World Comms., METAL & METAL FORMING (1) Apollo Metals, PACKAGING, PAPER & PRINTING (1) Boxmore, TEXTILES (1) Ritz Design, TRANSPORT (2) BAA, P & O 5½pc Pfd., SOUTH AFRICANS (1) Tongaat-Hulett, MINES (2) Anglovaal, Johannesburg Cons Inv.
NEW LOWS (88).
BANKS (1) TSB, BUILDING MATERIALS (4) BPB Inds., Ibstock Johnsen warrants, Pilkington, Tarmac, BUSINESS SERVICES (1) Penna, CONGLOMERATES (2) Melville, Trafalgar House A, CONTRACTING & CONSTRUCTION (8) AMEC, Do. 8.5p Pf., Graham Wood, Laing (J), Do. A, Lilley, NSM, Taylor Woodrow, Westminster Scaffolding, ELECTRICALS (1) Oxford Insts., ENGINEERING AEROSPACE (1) Brit. Aerospace 7¾p Pf., ENGINEERING GENERAL (2) Elliot (B), Vickers, HOTELS & LEISURE (2) Principal Hotels, Wembley, INSURANCE BROKERS (1) Durham (DG), INSURANCE COMPOSITE (3) Commercial Union, Sun Alliance, Topdanmark, INVESTMENT TRUSTS (8) Drayton Eng. & Intl., Do. warrants, Electra, Enalgo B, Fleming Emrg. Mkts., Jove, Martin Green Warrants, Murray Split Cap., MEDIA (2) Black (A & C), Yorkshire TV, METAL & METAL FORMING (1) ASW, MISCELLANEOUS (4) Novalal, PFG Hodgson Kenyon, Stonehill, Tamaris, MOTORS (1) Lucas Inds., OIL & GAS (5) LASMO, Norsk Hydro, Pict Petm., Premier Cons., Sceptre Res., OTHER FINANCIAL (2) Cambridge, King & Shaxson, PROPERTY (8) Chesterfield, Compco, MEPC, Micklegate, Trencherwood, TEXTILES (1) Jerome, TRANSPORT (1) P & O Dfd., PLANTATIONS (1) Anglo-East Plants., MINES (1) Waverley Mining Fin.

TRADING VOLUME IN MAJOR STOCKS

	Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change
ADT	107	302	-6	Cookson	250	106	+3	Lucas	1,200	118	-2	Severn Trent Water	387	335	-1
ASDA Group	4,400	39		Courtaulds	385	467	-3	MB Caradon	272	243	+3	Shell Transport	2,200	491	-6
Abbey National	2,300	271	-1½	Dalgety	109	373	+2	MEPC	1,400	453	-1	Siebe	379	467	
Albert Fisher	1,300	86		De La Rue	490	440	+3	Manweb	52	297		Slough Ests	57	238	-1
Allied-Lyons	1,800	591	-8	Dixons	3,100	212	-2	Marks & Spencer	2,000	279	-8	Smith (W.H.) A	2,800	446	-7
Amstrad	12,000	30	-1	ECC Group	911	432	-6	Maxwell Comms.	7,500	38	-7	Smith & Nephew	1,200	134½	-1
Anglian Water	622	337	-1	Eastern Elect.	391	231		Midland Bank	3,300	214	-10	SmKl Beecham	1,600	767	-9
Argos	1,100	279	-15	East Midland Elect.	9	240		Midlands Elect.	5	254	+1	SmKl Beecham Uts	55	3420	+15
Argyll Group	3,800	279½	-3½	Enterprise Oil	1,000	517	-2	NFC	3,100	219	-10	Smiths Inds.	382	250	
Arjo Wiggins	3,100	263	+2	Eurotunnel Units	433	400	+2	NatWest Bank	6,000	288	-11	Southern Elect.	38	248	
Ass. Brit. Foods	134	438	-1	FKI	989	55		National Power	1,300	140½	-2	South Wales Elect.	54	301	-2
BAA	2,700	493	+6	Ferranti	133	8½		Next	5,000	61	-½	South West Water	801	317	-3
BAT Inds.	1,700	815	-3	Fisons	2,700	389	-9	North West Water	415	347	-3	South West. Elect.	7	244	+1
BET	3,100	309	-2	Forte	3,300	246½	+½	Northern Elect.	0	252	-1	Southern Water	91	305	-3
BICC	840	391	-1	Gen. Accident	328	435	-7	Northern Foods	657	549	+6	Standard Chartd	325	382	+1
BOC	804	574	+2	General Elect.	3,300	181	+1	Norweb	4	268	-2	Storehouse	1,100	97	
BPB Inds.	9,000	142	-4	Glaxo	2,700	751	-7	Pearson	75	745	-5	Sun Alliance	1,600	292	-17
BTR	3,200	387	+3½	Glynwed Intl.	212	197	-1	P & O	1,200	452	-7	T&N	802	115	+1
Bank of Scotland	1,900	116	-1	Granada	1,600	187	-3	Pilkington	8,700	127	-4	TI Group	778	558	-4
Barclays	2,800	367	-8	Grand Met.	1,800	831	-11½	PowerGen	819	150	-1½	TSB	3,100	123	-2
Bass	304	942	-1	GUS A	114	1258	-25	Prudential	6,600	236½	+1½	Tarmac	3,600	134	-4
Beazer	34	117	+1	GRE	7,300	139	-7	RHM	929	248	-4	Tate & Lyle	1,100	372	+8
Berisford Int.	12	24		GKN	1,100	304	-3	RMC	178	488	-2	Taylor Woodrow	900	152	+4
Blue Circle	712	208	-7	Guinness	3,100	467	-4	RTZ	1,600	629	-8	Tesco	4,500	227	+3
Booker	52	463	-2	Hammerson 'A'	107	577	+5	Racal	1,500	53½	-1	Thames Water	1,300	335	-2
Boots	2,000	418	-4	Hanson	9,600	198	-4½	Rank Org.	1,000	641	-11	Thorn EMI	321	777	-1
Bowater	80	680	+8	Hanson Warrants	1,900	21¼	-¼	Reckitt & Colman	338	843	-7	Tomkins	688	388	+1
Brit. Aerospace	1,700	310	+12	Harrisons Crosfield	1,000	129	-8	Redland	432	475	-4	Trafalgar House	1,000	230	-7
British Airways	1,400	211		Hawker Sidd.	559	735	+2	Reed Intl.	493	487	-4	Ultramar	1,000	323	-8
British Gas	2,500	236½	-3½	Hillsdown	2,200	172	-2	Rentokil	802	349	-7	Unigate	285	282	-3
British Land	1,100	287		IMI	216	217	-2	Reuters	918	904	+21	Unilever	702	819	-9
BP	6,700	304	-2½	ICI	824	1198	-4	Rolls Royce	1,600	127	-1½	United Biscuits	718	374	-3
British Steel	13,000	74	-½	Inchcape	46	387	-1	Rothmans	110	1053	-12	Utd. Newspapers	455	381	+7
British Telecom	3,200	357	+8	Kingfisher	2,000	569	-13	Ryl Bk Scotland	3,300	165	-4	Vodafone	952	357	
Bunzl	108	84	-1	Ladbroke	1,300	245	-3	Royal Insurance	1,600	273	-1	Wellcome	224	836	-7
Burmah Castrol	452	551	+1	Land Securities	189	483	-3	Saatchi	6,000	13¼		Welsh Water	1,000	355	-11
Burton	7,600	37½	-½	Laporte	1,100	597	+4	Sainsbury	1,000	335		Wessex Water	79	383	-2
Cable & Wire.	1,200	563	+1	Legal & General	823	365	-11	Scottish & New.	486	386		Whitbread 'A'	875	425	-8
Cadburys	1,200	465	-2	Lloyds Abbey	540	367	-9	Scot. Hydro-Elect.	1,200	101	-2	Williams Hldgs.	1,700	308	-2
Calor Group	2,200	225	-8	Lloyds Bank	933	369	-8	Scottish Power	2,300	100	-1	Willis Corroon	388	243	-1
Carlton Comms.	1,022	482	-3	LASMO	704	287	-5	Sears	1,200	88	-1	Wimpey	32	147	-2
Coats Viyella	1,100	171	-1	London Elect.	278	242		Sedgwick	700	207	-1	Yorkshire Elect.	58	283	+1
Comm. Union	2,400	437	-15	Lonrho	230	225	-3	Seeboard	0	258	-1	Yorkshire Water	125	368	-1

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down.

EQUITY FUTURES AND OPTIONS TRADING

Concerted selling by independent traders yesterday forced Footsie futures lower despite a firm opening, writes Joel Kibazo.

The December contract opened strongly and soon rose to a healthy premium following a better than feared Wall Street close.

However, independent traders, many of whom had taken on long positions, soon began to sell and the contract retreated steadily, sending the underlying cash market lower.

Dealers said many of the large institutions remained on the sidelines unwilling to commit themselves but one leading securities house crossed about 1,000 contracts. The same house was reported to have triggered a late burst of selling just before the market closed which prompted further falls in the cash market.

By the close, December stood at 3,442, down 23 on the previous session and some three points above its estimated fair value premium to cash of 11. Turnover was 5,273.

Sentiment was also poor in LTOM with turnover falling to 17,904. The Euro-FTSE was the busiest option with a day's total of 1,386. Amstrad was the biggest stock option, trading 1,276 contracts, followed *by British Gas with 1,102 lots.*

LONDON SHARE SERVICE

BRITISH FUNDS

Notes	Price £	+or-	1991 high	1991 low	Yield Int.	Yield Red.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

BRITISH FUNDS - Cont.

Notes	Price £	+or-	1991 high	1991 low	Yield Int.	Yield Red.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

BRITISH FUNDS - Cont.

Notes	Price £	+or-	1991 high	1991 low	Yield (1)	Yield (2)
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

OTHER FIXED INTEREST

Notes	Price £	+or-	1991 high	1991 low	Yield Int.	Yield Red.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

APPOINTMENTS

Lewis has plans for C & W

Duncan Lewis, director of strategic planning at Hawker Siddeley, is to leave the engineering group following the £1.55bn takeover battle won last week by BTR, the UK industrial conglomerate.

On Monday, Lewis will become managing director of CABLE AND WIRELESS Worldwide Services, part of the UK telecommunications group. The appointment returns Lewis to telecoms after 19 months at Hawker, which he joined from a senior post at British Telecom.

As strategy chief at Hawker, Lewis was closely identified with the ultimately doomed five-year restructuring plan introduced by Alan Watkins, managing director, who recruited him in the spring of 1990 and who resigned this week.

Lewis's main task at Hawker was to undertake a detailed review of its global strategy. He had since moved on to implement the plan, including a disposal and acquisition programme, which was interrupted by BTR's bid in September.

Lewis had been approached by C and W in the summer, and his departure from Hawker had been agreed before the bid was announced. It was then frozen until the result of the bid was known.

At C and W, Lewis will be heading the unit which develops and markets products for international customers, working alongside Colin Bell, md of the International Data Network Services business.

Lewis was director of planning at STC before joining BT, where he ran the UK products and services business. His appointment to C and W is part *of group chairman Lord* Young's plans to reshape the company.

■ Henry Casley, md of SOUTHERN ELECTRIC, is to become non-executive director of the company's newly-created subsidiary, Southern Electric Contracting.

The contracting business, which sells and installs a range of electrical services in new and existing buildings, and carries out double glazing and insulation work, was previously a business within Southern Electric.

David Gauntlett, Southern Electric's trading manager, will be chief executive of the new company.

■ NORTHERN ELECTRIC announces that following the appointment of Tony Hadfield as md, Ron Dixon, formerly md power, becomes commercial director; and Bill Hook, formerly personnel director, becomes operations director.

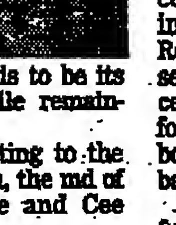
■ NORTHERN TELECOM has appointed James Deas md of European Transmission Systems; he moves from Alcatel.

■ Chris Buckham, former md of Archs Technology, is joining APRICOT Computers as marketing director; John Wilson is also joining as director of UK reseller sales.

■ Frank Klosowsky, who has long experience of semiconductor assembly testing, is replacing Dave Comley as md of Ankor/Anam Europe based in Scotland.

■ OTIS ELEVATOR has appointed Christopher Bowman group director of information and systems.

Bumper hampers



Peter Johnson (right), who founded PARK FOOD Group in 1967, has announced that on the retirement of Peter Sherlock, he is to be its new chairman, while remaining as its md.

He is also promoting to the board Clifford Finch, the md of its subsidiary, Bee and Cee Foods.

The UK's largest packer and supplier of Christmas hampers, Park Food is buoyantly returning to its core product – hampers – after having taken a minor dent in the drinks and frozen food sectors.

Its 64,000 agents nationwide are preparing themselves for their busiest time of the year, and as 70 per cent shareholder of the company, Johnson is looking forward to a bumper year, despite the recession.

But Johnson is also cock-a-hoop about another interest of his – Tranmere Rovers, now doing well in the second division of British soccer, having climbed from the fourth division since Johnson bought the club a few years back.

"We bought John Aldridge from the Spanish club Real Sociedad this year for £250,000, and he's currently the leading goal scorer in the league," says Johnson proudly.

■ James Kerr Muir, 50, a Tate & Lyle director who has spent more than 20 years with the company, said yesterday that he was leaving "to pursue other interests". He has been responsible for the group's UK division.

His departure follows Wednesday's announcement that Tate & Lyle is planning to split the role of chairman and chief executive from next spring. Neil Shaw, the chairman, is 62, and the company said it was now appropriate that a younger man should take over the executive responsibility for day-to-day management, freeing Shaw for broader issues.

Promoted to chief executive is Stephen Brown, who was recruited this spring as group md.

LONDON SHARE SERVICE

AMERICANS

	Notes	Price £	+ or -	1991 high	low	Mkt Cap £m	Yld Gr's
Abbott Labs		32⅝xd	—	34½	20⅞	13,519	1.7
Allegheny & W.		229p	+10	305p	218p	122.1	7.2
Amdahl		785pxd	—	18¼	687p	781.1	0.8
Amer Cyanamid		36⅞	—	42¼	25⅜	2,809	2.7
Amer Express		10⅝xd	-¼	17⅞	9⅛	4,599	5.3
Amer T & T		20⅞xd	—	24½	15⅛	20,619	3.8
Ameritech		34	-⅛	38⅞	32½	14,696	5.6
BankAmerica		17⅞xd	-⅞	25⅜	12⅞	3,808	3.8
Bankers NY		24⅞xd	+⅛	28⅛	20⅛	2,613	7.9
Bell Atlantic		25½xd	—	28½	24¼	10,020	5.6
BellSouth		26⅛	—	27⅛	25	12,677	5.9
Bethlehem Steel		6⅝xd	—	11¼	6⅞	504.8	3.4
Bowater		1130p	+24	1800p	1048p	408.1	5.3
CPC		46⅞xd	-⅞	64⅛	37⅛	3,434	2.5
California Engy		615p	+6	930p	420p	140.4	—
Campbell Soup		44⅞xd	+⅞	50	28¼	6,061	1.8
Chase Manhattan		8	-⅛	12½	5⅞	1,211	7.8
Chrysler		6⅝xd	—	9⅞	5⅞	1,993	5.1
Citicorp		6⅛xd	—	10⅜	5⅞	2,009	—
Colgate-Palm		23¼xd	+⅛	26⅝	21	3,173	2.5
Cont'l Bank		494p	—	920p	[illegible]	489.2	6.5
Dana		14⅞xd	-⅞	21⅝	13⅞	662.1	6.3
Data General		847p	-13	1282p	[illegible]	233.7	—
Dial		24½xd	+⅛	25⅝	12⅞	907.8	3.2
Dun & Brad		27¼	-⅛	28⅝	[illegible]	4,864	4.6
Eaton		32½	-½	40	24¼	1,104	3.8
Echlin		6⅛xd	+⅞	8½	5⅞	393.2	6.6
FPL		19½xd	-⅛	20⅛	14⅞	3,162	6.9
Fluor		20⅝xd	+⅜	30⅞	17⅞	1,669	0.9
Ford Motor		13⅝xd	+⅛	23¼	13⅛	8,450	4.1
Gen Elect		36⅞xd	—	40⅞	28⅞	32,000	3.7
General Host		391p	—	560p	270p	—	5.1
Gillette		24½xd	-½	45⅞	20⅞	5,275	1.4
Hasbro		20¼	+1⅛	25⅞	794p	1,195	0.7
[illegible]							

CANADIANS

BANKS

BREWERS & DISTILLERS

BUILDING MATERIALS

BUILDING MATERIALS - Cont.

BUSINESS SERVICES

CHEMICALS

CONGLOMERATES

CONTRACTING & CONSTRUCTION

CONTRACTING & CONSTRUCTION - Cont.

ELECTRICALS

ELECTRICITY

ELECTRONICS

ENGINEERING AEROSPACE

ENGINEERING GENERAL

ENGINEERING - GENERAL - Cont.

FOOD MANUFACTURING

FOOD RETAILING

HEALTH & HOUSEHOLD

HEALTH & HOUSEHOLD - Cont.

HOTELS & LEISURE

INSURANCE BROKERS

INSURANCE COMPOSITE

INSURANCE LIFE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

	Notes	Price	+ or -	1991 High	1991 low	Yld Gr's	NAV	Dis or Prm(-)
Sphere Inc		28½	-½	29	20½	26.2	23.5	12.8
Zero Div Pf		87	—	88½	58¾	—	—	—
Warrants		3½	—	9½	3½	—	—	—
Strata		147	-2	164	104	1.2	177.5	17.1
Stratton		147	-1	168	120	1.7	178.6	17.6
TR City of Lon		112¼	-1	121¼	90	6.4	110.0	-2.0
TR Euro Growth	5	94	—	104	78	1.4	97.1	3.1
Prp Sub	8	58	—	58	40	2.6	—	—
TR Far East Inc		80xd	-2	94	56	7.8	92.1	12.0
Warrants		17	—	23	12	—	—	—
TR High Inc	H	104	—	116	85	7.7	97.1	-7.1
Sub	9	34	+1	35	24	5.9	—	—
TR Pacific		85	-2	92	49	4.5	80.5	16.6
TR Prop		28	—	37	27½	7.1	35.9	22.0
TR Smaller		139	-2	155	98	3.5	149.1	6.8
TR Technology	3	35	-1	52	20	6.5	56.4	58.5
Stepped Pf		90¾	—	94½	70½	8.1	—	—
Zero Pf		155½	—	156½	117½	—	—	—
Temple Bar	†	256	-3	278	210	5.2	275.8	7.2
6pc 2002		£111½	—	£111½	£102½	5.4	—	—
Temple Em Mkts		160	-1	173	92	0.6	165.0	-3.0
Warrants		66	—	68	27	—	—	—
1pc Cv 2001		£284½	—	£287½	230½	0.8	—	—
Thornton Asian		59	—	72	55	1.1	69.5	15.2
Warrants		11	—	18	9	—	—	—
Thornton Pan Euro		27	—	31	25	4.5	30.9	12.5
Warrants		5	—	10	5	—	—	—
Throg Dual Inc		102	—	108	93	11.4	—	—
Cap		348	—	365	280	—	656.8	47.8
Throgmorton		48	-1	54	45½	5.8	66.7	27.2
Warrants		16	—	28	16	—	—	—
Throg USM		106	—	118	81	4.8	128.8	17.1
Warrants		28	—	37	14	—	—	—
Tor Inc		565	-3	593	400	10.3	—	—

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GUIDE TO LONDON SHARE SERVICE

a Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings. yield, p/e based on latest annual earnings. Yield based on prospectus or other ... ex scrip issue; ex rights; ex all; ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1150 a year for each security shown, subject to the Editor's discretion.

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AUTHORISED UNIT TRUSTS

Abbey Unit Tst Mngrs (1000)H
80 Holdenhurst Rd, Bournemouth 0345 717373

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
High Income						
Gilts & Fixed Int	6	115.3	115.3	122.4	+0.2	9.40
High Inc Equity	6	126.5	129.8	138.0	-0.6	6.16
Worldwide Bond	6	210.9	210.9	223.5	-0.2	6.71
Capital Growth						
American Growth	6	193.1	193.1	206.3	+0.6	1.08
Asian Pacific	6	118.6	121.0	128.7	-0.3	1.22
Assets & Earnings	6	175.0	178.8	190.2	-0.7	3.15
Capital Reserve Acc	0	110.3	110.3	110.4		6.87
Capital Reserve Inc	0	87.22	87.22	87.27	+0.03	6.88
Comdty & Energy	6	74.15	74.15	79.30	-0.31	1.72
1992 Enterprise	6	63.80	63.80	68.23	-0.24	1.02
Euro Capital Acc	6	84.38	84.38	90.24	-0.62	1.15
Euro Capital Inc	6	80.62	80.62	86.22	-0.59	1.16
General	6	167.1	167.1	178.7	-0.7	2.80
Japan	6	92.51	93.59	99.56	-1.14	–
Mastertrust	6	87.88	87.88	93.98	-0.42	2.72
UK Growth Acc	6	170.4	177.7	189.0	-0.6	2.11
UK Growth Dist	6	108.3	112.9	120.1	-0.4	2.15
US Emerging Cos	6	70.99	72.27	76.88	-0.02	–

Bishopsgate Progressive Mgmt Co (1200)F
15 St James' Place, London SW1A 1NW

	Init Chrge	Canc. Price	Bid Price	Offer Price
Progressive Inc	5	17.77	17.77	18.75
Progressive Acc	5	27.14	27.14	28.64
International Inc	5	18.97	18.97	20.02
International Acc	5	25.74	25.74	27.17
Cap & Foreign Inc	5	222.3	222.3	234.6
Cap & Foreign Acc	5	265.7	265.7	289.4
Special Sits Inc	5	201.0	201.0	212.1
Special Sits Acc	5	218.3	218.3	230.4
PEP Inc	5	132.6	136.3	143.8
PEP Acc	5	141.6	145.4	153.5
Growth Inc	5	77.13	77.13	81.40
Growth Acc	5	77.92	77.92	82.24

Brewin Dolphin Unit Tst Mgrs Ltd
5 Giltspur St, London EC1A 9DE

	Init Chrge	Canc. Price	Bid Price	Offer Price
Dolphin Special Sits	5½	121.2	121.2	129.6
Dolphin Dividend	5½	56.16	56.16	60.06
Dolphin Int Inc & Gth	5½	152.3	152.3	162.8
Dolphin UK & Gen	5½	34.39	34.58	36.98
Dolphin Fund of Funds	5½	46.32	48.46	51.82

Britannia Life Unit Managers Ltd
190 West George St, Glasgow G2 2PA

	Init Chrge	Canc. Price	Bid Price	Offer Price
Balanced Growth	6	75.15	75.66	80.91
Do (Accum)	6	80.48	81.03	86.66
Service Cos	6	65.47	65.47	70.02
Do (Accum)	6	69.53	69.53	74.36
Income Growth	6	40.67	40.67	43.50
Do (Accum)	6	57.27	57.27	61.25
Higher Yield	6	30.94	30.94	33.09
Do (Accum)	6	39.63	39.63	42.33

Guide to pricing of Authorised Unit Trusts
Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The maximum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♣) - 1101 to 1400 hours; (♦) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point, a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation,
Centre Point,
103 New Oxford Street, London WC1A 1QH
Tel: 071 – 379 – 0444.

مكتبة الأصل

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	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Grs
Sovereign Unit Tst Mngrs Ltd (1000)F						
2 Christchurch Rd, Bournemouth 0202 298422						
Cash	1	49.75	49.75xd	50.25	+0.01	10.6
British Prfrance	5¼	47.87	48.16	51.37	+0.13	[illegible]
Ethical	5¼	47.93	48.89	52.01	[illegible]	[illegible]
European Growth	5¼	45.48	45.57	48.61	[illegible]	[illegible]
Income	5¼	45.41	45.88	48.94	[illegible]	7.76
Intl Growth	5¼	62.07	62.18	66.33	[illegible]	[illegible]
Managed	5¼	56.45	56.45	60.21	[illegible]	[illegible]
UK Growth	5¼	49.30	49.89	53.22	[illegible]	[illegible]
Standard Chartered Equitor (1200)F						
40 Old Broad Street, EC2M 1QS 071-280 6521						
Mngd Exempt Acc	3	187.3	189.5	197.3	-1.1	3.32
Do Income	3	178.8	180.8	188.3	-1.1	3.12
Standard Life Tst Mngmt Ltd (0629)H						
1 George St, Edinburgh EH2 2XZ 0800 393777						
Managed Acc	5¼	34.58	34.58	36.75	-0.2	[illegible]
UK Equity Gth Acc	5¼	46.25	47.08	50.03	-0.4	[illegible]
UK Eq High Inc Inc	5¼	29.94	30.65xd	32.57	-0.3	6.19
UK Eq High Inc Acc	5¼	33.66	34.46	36.62	-0.3	6.19
UK Equity Gen Acc	5¼	44.34	45.07	47.89	-0.4	3.49
UK Equity Gen Inc	5¼	34.70	35.27	37.48	-0.3	3.49
UK Larger Cos Acc F	7½	289.9	293.9	318.9	-2.5	4.71
UK Larger Cos Inc F	7½	233.4	236.6	256.8	-2.0	4.71
Gilt & Fxd Int Inc	5¼	27.16	27.23xd	28.80	+0.1	7.83
Tmas Larg Cos Acc F	7½	204.8	208.9	226.7	+1.1	[illegible]
Nth American Acc	5¼	32.80	33.00	35.07	+0.3	[illegible]
Far East Acc	5¼	39.64	40.62	43.16	+0.1	-
European Acc	5¼	32.55	34.18	36.32	-0.3	1.47
Stewart Ivory Unit Tst Mgrs Ltd (1200)H						
45 Charlotte Sq, Edinburgh 031-226 3271						
American ψ	5	271.3	271.3xd	290.3	+4.9	0.90
Accum Units ψ	5	319.3	319.3	341.6	+5.7	0.90
Brit Gth	5	792.0	802.0	858.5	-3.2	3.11
Accum Units	5	1301.2	1317.6	1394.0	-5.3	3.11
European	5	313.2	313.2xd	335.6	-1.2	1.56
Accum Units	5	339.5	339.5	361.6	-1.3	1.55
Japan	5	108.7	108.7	115.6	-0.9	-
Accum Units	5	109.5	109.5	116.5	-0.9	-

	Bid Price	Offer Price	+ or -	Yield Grs
Funds in Court*				
Capital Nov 28	480.30	483.83	...	2.92
Gross Nov 28	179.55	180.97	...	10.78
High Yield Nov 28	279.39	281.62	...	7.81
* Restricted to monies under Court control				
Henderson Unit Trust Management Ltd				
Pensions Mngd	50.65	51.70xd	-0.04	3.94
INVESCO MIM Management Ltd				
Exempt Funds				
Intl Mngd P'Folio	1136.0	1225.0	-	-
Mngd Pens (Acc)	65.2	69.5	..	-
Lazard Brothers & Co. Ltd				
Property Sept 5	£2440.8	2600.8	...	6.00
Inc Gilt Prp Apr 16	£1375.0	1460.0	...	7.20
Lazard Investors Ltd ‡‡				
Exempt Funds				
Small Co's Nov 27	£3974.5	4147.7	...	3.98
European Nov 27	£540.9	546.9	...	2.08
American Nov 27	£330.5	333.7	...	2.43
Japan Nov 27	£479.0	484.5	...	1.34
Pacific Nov 27	£136.4	140.1	...	1.98
W Midlands Sep 30	£147.60	164.90	...	2.48
Local Authorities Mutual Invest. Tst.*				
2 Fore Street, London EC2Y 5AQ 071-588 1815				
Property Oct 31	193.25	197.20	...	7.85
Equity Oct 31	896.05	908.60	...	3.97
* Available only to Local Authorities				
M & G Securities Ltd				
Charibond Nov 27	101.04xd		+0.2	10.67
(Accum Units)	596.0b		+1.1	10.67
NAACIF Nov 26	40.67xd		...	9.67
Morgan Grenfell Investment Funds Ltd				
Exempt Funds				
UK Equity r Nov 26	122.7	131.8	...	2.06

INSURANCES

OTHER UK UNIT TRUSTS

Continued on next page

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N & P Life Assurance Ltd
6-7 Bedford Row, London, WC1R 4UJ 071-430 2348

	Bid Price	Offer Price	+ or -	Yield Gross
Life Managed Fd	104.3	109.8	----	-
Pension Managed Fd	102.2	107.6	----	-
Life Deposit Fd	110.9	116.7	----	-
Pension Deposit Fd	117.7	123.9	----	-

For National Fin see Target Life

National Mutual Life
The Priory, Priory Pk, Hitchin, SG5 2DW 0462 422422
Harvester Pension Funds

	Bid Price	Offer Price	+ or -	Yield Gross
Managed	165.2	173.9	----	-
UK Equity	173.2	182.4	----	-
Overseas Equity	131.0	137.9	----	-
Fixed Interest	154.3	162.5	----	-
Property	132.9	139.9	----	-
Index Linked	152.1	160.2	----	-
Deposit	164.4	173.1	----	-
With Profits (B)	134.5	141.6	----	-

National Provident Institution
48 Gracechurch St, London EC3P 3HH 071-623 4200

	Bid Price	Offer Price	+ or -	Yield Gross
Managed	344.8	363.0	-1.1	-
UK Equity	431.2	453.9	-1.8	-
Overseas Eq	331.0	348.5	-0.8	-
Americas	275.6	290.2	-0.7	-
Far East	353.8	372.5	-2.6	-
Property	193.9	204.2	-0.1	-
Fixed Int	270.9	285.2	+0.2	-
Indexed Gilt	161.5	170.0	-0.2	-
Deposit	188.1	198.0	----	-
With Profit	105.2	110.7	----	-
Pension Fund (Accum Units)				
Managed	497.1	523.3	-1.9	-
UK Equity	585.0	615.8	-2.3	-
Overseas Eq	555.6	584.9	-3.3	-
Americas	346.4	364.7	-0.6	-
Far East	577.5	607.9	-4.8	-
Property	247.5	260.6	----	-
Fixed Int	336.7	354.5	+0.2	-

Providence Capital Life Assc. Co Ltd
2 Bartley Way, Hook, Hants RG27 9XA 0256 768888

	Bid Price	Offer Price	+ or -	Yield Gross
UK Equity Acc	219.1	231.2	-0.2	-
UK Fixed Int Acc	188.1	198.5	+0.2	-
Intl Equities Acc	168.0	177.3	-0.9	-
UK Managed Acc	170.8	180.1	-0.2	-
Property Acc	224.5	236.9	-1.0	-
Money Acc	133.9	141.3	+0.1	-
Special Market Acc	144.9	152.9	+0.6	-
Japan Equity Acc	95.4	100.7	-1.1	-
North American Acc	96.9	102.3	-0.5	-
Pacific Acc	92.0	97.1	-0.5	-
Technology Acc	116.0	122.4	+1.2	-
Nat Resources Acc	57.7	60.9	+0.2	-
European Acc	98.3	103.7	+1.3	-
Residential Prop Acc	90.6	95.6		-
Swiss Equities Acc	32.3	34.1	-0.2	-
Hong Kong Acc	68.5	72.3	-0.6	-
UK High Inc Eq Acc	70.8	74.7	-0.1	-
Int Fixed Interest Acc	60.7	64.1	-0.2	-
Int Managed Acc	55.2	58.2	-0.2	-
HtP Managed Acc	115.5	121.8	+0.2	-
HtP Managed II Acc	99.5	104.9	+0.2	-
HtP Managed III Acc	107.4	113.2		-
Total Investment Bond				
UK Equity Initial	148.5		-0.2	-
UK Fixed Int Initial	127.7		+0.1	-
Intl Equities Initial	113.2		-0.6	-
UK Managed Initial	116.0		-0.1	-
Property Initial	153.5		-0.7	-
Money Initial	91.3			-
Special Market Initial	112.2		+0.5	-
Japan Equity Initial	73.4		-0.8	-
North American Initial	73.1		-0.3	-
Pacific Initial	71.2		-0.4	-
Technology Initial	89.8		+0.9	-
Nat Resources Initial	44.6		+0.1	-
European Initial	87.8		+1.0	-
Residential Prop Init	86.3			-
Swiss Equities Initial	30.8		-0.1	-
Hong Kong Initial	65.3		-0.4	-
UK High Inc Eq Init	67.4		-0.8	-
Int Fixed Interest Init	58.6		-0.1	-
Int Managed Init	53.4		-0.2	-
HtP Managed Init	121.9		+0.2	-

OFFSHORE INSURANCES

OFFSHORE AND OVERSEAS

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ISLE OF MAN (REGULATED)(**)

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JERSEY (REGULATED)(**)

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LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Markets quiet on US holiday

THE DOLLAR yesterday held on to the gains made in the previous session, while the D-Mark was mixed and sterling was slightly firmer, in quieter trading influenced by the US markets' closure for the public holiday.

Currency dealers said that since rebounding on Wednesday from 17-month lows, the dollar had maintained a firmer tone. This had mostly been due to technical factors: many of the short positions in the market had been filled in as longer term corporate investors and fund managers moved into the dollar, believing that it had fallen too far.

There was also some modest optimism creeping into the market about the US economy. The latest weekly unemployment statistics had shown a much larger drop than expected. Lingering uncertainty about the political situation in the Soviet Union also prevented the D-Mark from moving higher; indeed, the German currency continued to weaken against the yen.

For much of the session, however, the dollar traded in a narrow range and by the close was little changed on the day. Another quiet session is in prospect for today with some US traders expected to stay at home for a long weekend.

The release of some important US data next week is likely to give dealing a boost and allow the market a chance to assess views on the state of the American economy.

On Monday the November purchasing managers' report is released, while on Friday employment figures for the same month are due.

Opinion remains divided on the timing of the next move in US interest rates, with some analysts expecting the Federal Reserve to ease this year. However, others doubt that there will be any change in either US or German rates until 1992.

The dollar ended unchanged at DM1.6170 but was slightly easier at Y129.85 from Y130.25.

The D-Mark was mixed as the dollar remained firm and some European exchange rate mechanism currencies, such as the lira, peseta and French franc, weakened. The substantial rise in west German inflation to 4.1 per cent from 3.7 per cent had little effect on the German currency, with dealers accepting the Federal Statistics Office's explanation that the number had been exaggerated by the large fall in inflation last November.

Within the rest of the ERM, sterling gained in strength as UK Treasury ministers continued to say that further interest rate cuts depended upon its position within the system.

The pound finished in London at DM2.8600 from DM2.8575 and at $1.7680 from $1.7670. Sterling remained at the bottom of the ERM, although with the peseta – which is the strongest in the grid – slightly easier, the Spanish currency's lead over sterling slipped to 5.2 per cent from 5.3 per cent.

The Portuguese escudo continued to hover around 89.15 to the D-Mark, just below the 89.25 level at which the Bank of Portugal recently intervened to defend its currency.

£ IN NEW YORK

Nov.27	Close	Previous Close
£Spot	1.7680-1.7690	1.7735-1.7745
1 month	0.89-0.87pm	0.89-0.87pm
3 months	2.45-2.42pm	2.46-2.36pm
12 months	8.95-8.85pm	9.00-8.90pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Nov.28	Previous
8.30 am	90.3	90.6
9.00 am	90.3	90.6
10.00 am	90.4	90.6
11.00 am	90.4	90.7
Noon	90.4	90.7
1.00 pm	90.4	90.6
2.00 pm	90.3	90.5
3.00 pm	90.4	90.6
4.00 pm	90.4	90.5

CURRENCY MOVEMENTS

Nov 28	Bank of England Index	Morgan** Guaranty Changes %
Sterling	90.4	-21.3
U.S Dollar	63.2	-35.9
Canadian Dollar	105.4	+2.9
Austrian Schilling	110.1	+12.2
Belgian Franc	111.9	-1.6
Danish Krone	109.1	+3.2
D-Mark	118.9	+25.3
Swiss Franc	109.5	+17.9
Dutch Guilder	114.7	+16.5
French Franc	103.1	-13.0
Lira	98.9	-19.9
Yen	140.6	+73.9

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1985=100). **Rates are for Nov 27

CURRENCY RATES

Nov 28	Bank § rate %	Special * Drawing Rights	European † Currency Unit
Sterling	-	0.782582	0.713308
U.S Dollar	5.00	1.38791	1.26177
Canadian $	8.17	1.57805	1.43072
Austrian Sch	7.50	15.7347	14.3438
Belgian Franc	8.00	46.0162	41.9728
Danish Krone	9.50	8.68485	7.92077
D-Mark	7.50	2.23495	2.03776
Dutch Guilder	8.00	2.51725	2.29680
French Franc	10¼	7.63767	6.96119
Italian Lira	11½	1686.07	1537.15
Japanese Yen	5.00	179.526	163.904
Norway Krone	8	8.79199	8.02057
Spanish Peseta	-	142.391	129.940
Swedish Krona	10.00	8.18312	7.46401
Swiss Franc	7.00	1.97916	1.80055
Greek Drach	19	N/A	232.002
Irish Punt	-	N/A	0.764524

§ Bank rate refers to central bank discount rates. These are not quoted by the UK, Spain and Ireland. † European Commission Calculations. * All SDR rates are for Nov 27

OTHER CURRENCIES

Nov 28	£	$
Argentina	17505.2 - 17532.8	9900.00 - 9910.00
Australia	2.2555 - 2.2575	1.2740 - 1.2750
Brazil	1446.45 - 1447.85	818.050 - 818.350
Finland	7.7170 - 7.7305	4.3650 - 4.3680
Greece	321.600 - 326.750	181.950 - 184.870
Hong Kong	13.7150 - 13.7280	7.7545 - 7.7565
Iran	116.10*	66.00*
Korea(Sth)	1323.80 - 1345.15	750.00 - 759.00
Kuwait	0.51255 - 0.51325	0.28420 - 0.28450
Luxembourg	58.85 - 58.95	33.30 - 33.40
Malaysia	4.8595 - 4.8675	2.7465 - 2.7485
Mexico	5393.00 - 5399.60	3050.00 - 3052.00
N Zealand	3.1445 - 3.1675	1.7770 - 1.7790
Saudi Ar	6.5880 - 6.6645	3.7495 - 3.7505
Singapore	2.9345 - 2.9420	1.6605 - 1.6625
S Af (Cm)	4.9425 - 4.9545	2.7900 - 2.7920
S Af (Fn)	5.3375 - 5.4200	3.0165 - 3.0630
Taiwan	45.75 - 45.90	25.85 - 25.95
U.A.E.	6.4510 - 6.5280	3.6715 - 3.6735

*Official rate. Floating rate £-2513 0 $-1418 0

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu Nov 28	% Change from Central Rate	% Spread vs Weakest Currency	Divergence Indicator
Spanish Peseta	133.631	129.940	-2.76	5.26	47
Belgian Franc	42.4032	41.9728	-1.02	3.40	43
D-Mark	2.05586	2.03776	-0.88	3.26	48
Dutch Guilder	2.31643	2.29680	-0.85	3.23	36
Irish Punt	0.767417	0.764524	-0.38	2.74	12
Italian Lira	1538.24	1537.15	-0.07	2.43	-2
French Franc	6.89509	6.96119	0.96	1.38	-59
Danish Krone	7.84195	7.92077	1.01	1.34	-51
Sterling	0.696904	0.713308	2.35	0.00	-46

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate. Adjustment calculated by Financial Times.

POUND SPOT - FORWARD AGAINST THE POUND

Nov 28	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.7655 - 1.7725	1.7675 - 1.7685	0.81-0.80cpm	5.46	2.45-2.43pm	5.52
Canada	2.0040 - 2.0130	2.0075 - 2.0085	0.57-0.46cpm	3.08	1.56-1.44pm	2.99
Netherlands	3.2135 - 3.2275	3.2175 - 3.2275	[illegible]cpm	1.16	[illegible]pm	0.93
Belgium	58.65 - 59.00	58.85 - 58.95	10-parcpm	1.02	26-11pm	1.26
Denmark	11.0735 - 11.1200	11.0850 - 11.0950	[illegible]orepm	1.08	[illegible]pm	4.46
Ireland	1.0690 - 1.0750	1.0720 - 1.0730	0.05-parcdis	-0.28	0.10-parpm	0.19
Germany	2.8495 - 2.8625	2.8575 - 2.8625	[illegible]pfpm	1.05	[illegible]pm	0.96
Portugal	253.30 - 255.10	253.65 - 254.65	11-26cdis	-0.87	49-109dis	-1.24
Spain	181.55 - 182.65	182.05 - 182.35	27-38cdis	-2.14	84-96dis	-1.98
Italy	2151.70 - 2158.80	2152.00 - 2153.00	3-5liredis	-2.23	7-9dis	-1.49
Norway	11.2075 - 11.2630	11.2075 - 11.2175	[illegible]orepm	0.40	[illegible]pm	0.29
France	9.7395 - 9.7775	9.7600 - 9.7700	[illegible]cpm	0.77	2-1¾pm	0.77
Sweden	10.4345 - 10.4780	10.4425 - 10.4525	[illegible]oredis	-1.15	[illegible]dis	-0.96
Japan	229.00 - 230.25	229.00 - 230.00	[illegible]ypm	4.25	[illegible]pm	4.36
Austria	20.05 - 20.13	20.06 - 20.09	[illegible]gropm	0.97	[illegible]pm	1.01
Switzerland	2.5195 - 2.5325	2.5225 - 2.5325	[illegible]cpm	2.37	[illegible]pm	1.58
Ecu	1.3990 - 1.4050	1.4020 - 1.4030	0.05-0.02cpm	0.30	0.09-0.04pm	0.19

Commercial rates taken towards the end of London trading. Six-month forward dollar 4.82-4.77cpm. 12 Month 9.05-8.95cpm

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

Nov 28	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.7655 - 1.7725	1.7675 - 1.7685	0.81-0.80cpm	5.46	2.45-2.43pm	5.52
Ireland†	1.6480 - 1.6640	1.6495 - 1.6505	0.76-0.72cpm	5.38	2.30-2.20pm	5.45
Canada	1.1330 - 1.1375	1.1345 - 1.1355	0.20-0.25cdis	-2.38	0.70-0.75dis	-2.56
Netherlands	1.8135 - 1.8250	1.8225 - 1.8235	0.65-0.69cdis	-4.41	2.06-2.10dis	-4.56
Belgium	33.15 - 33.40	33.30 - 33.40	10.00-14.00cdis	-4.32	35.00-39.00dis	-4.44
Denmark	6.2600 - 6.2890	6.2700 - 6.2750	2.05-2.35oredis	-4.21	7.15-7.35dis	-4.62
Germany	1.6095 - 1.6185	1.6165 - 1.6175	0.60-0.61pfdis	-4.49	1.84-1.86dis	-4.58
Portugal	143.65 - 144.25	144.15 - 144.25	70-77cdis	-6.12	238-253dis	-6.81
Spain	102.60 - 103.15	103.05 - 103.15	61-68cdis	-7.51	194-204dis	-7.72
Italy	1214.50 - 1219.75	1217.25 - 1217.75	7.15-7.65liredis	-7.29	20.60-21.60dis	-6.93
Norway	6.3400 - 6.3675	6.3400 - 6.3450	2.55-2.85oredis	-5.11	8.20-8.70dis	-5.33
France	5.4990 - 5.5280	5.5200 - 5.5250	2.18-2.23cdis	-4.79	6.62-6.72dis	-4.83
Sweden	5.8975 - 5.9255	5.9075 - 5.9125	3.15-3.40oredis	-6.65	9.45-9.90dis	-6.55
Japan	129.60 - 130.20	129.80 - 129.90	0.26-0.27ydis	-2.45	0.38-0.40dis	-1.20
Austria	11.3275 - 11.3825	11.3775 - 11.3825	4.10-4.55grodis	-4.56	12.50-13.80dis	-4.62
Switzerland	1.4225 - 1.4300	1.4290 - 1.4300	0.37-0.41cdis	-3.27	1.13-1.18dis	-3.23
Ecu	1.2585 - 1.2640	1.2585 - 1.2595	0.56-0.53cpm	5.19	1.69-1.63pm	5.27

Commercial rates taken towards the end of London trading. † UK, Ireland and ECU are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency.

EURO-CURRENCY INTEREST RATES

Nov 28	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	10⅝ - 10½	10⅝ - 10½	10⅝ - 10½	10¾ - 10⅝	10¾ - 10⅝	10⅝ - 10½
US Dollar	[illegible]	4¾ - 4⅝	[illegible]	5 - 4⅞	[illegible]	[illegible]
Can. Dollar	7 - 6½	7 - 6½	7 - 6¾	7⅜ - 7¼	[illegible]	7⅜ - 7¼
Dutch Guilder	9½ - 9¼	9½ - 9¼	9½ - 9¼	9½ - 9¼	9½ - 9¼	9½ - 9¼
Swiss Franc	7½ - 7¼	7⅞ - 7¾	7⅞ - 7¾	[illegible]	8⅛ - 8	8 - 7⅞
D-Mark	9¼ - 9	9¼ - 9	[illegible]	9⅝ - 9½	9½ - 9⅜	9½ - 9⅜
French Franc	[illegible]	[illegible]	[illegible]	[illegible]	9¾ - 9⅝	[illegible]
Italian Lira	12 - 10	12½ - 12	12¼ - 11¾	12¼ - 11¾	11⅞ - 11½	11¾ - 11½
Belgian Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Yen	[illegible]	[illegible]	[illegible]	[illegible]	6 - 5⅞	[illegible]
Danish Krone	9¾ - 9½	9¾ - 9½	9¾ - 9⅝	9⅝ - 9½	9⅝ - 9½	9⅝ - 9½
Asian $Sing	3⅞ - 3¾	3⅞ - 3¾	3¾ - 3⅝	[illegible]	4 - 3⅞	[illegible]

Long term Eurodollars: two years 5⅝-5½ per cent; three years 6⅛-6 per cent; four years 6½-6⅜ per cent; five years 7[illegible]-7[illegible] per cent nominal. Short term rates are call for US Dollars and Japanese Yen, others, two days' notice

EXCHANGE CROSS RATES

Nov.28	£	$	DM	Yen	F Fr.	S Fr.	N Fl.	Lira	C$	B Fr	Ecu
£	1	1.768	2.860	229.5	9.765	2.528	3.223	2155.	2.008	58.90	1.403
$	0.566	1	1.618	129.8	5.523	1.430	1.823	1218	1.136	33.31	0.794
DM	0.350	0.618	1	80.24	3.414	0.884	1.127	752.8	0.702	20.59	0.491
YEN	4.357	7.704	12.46	1000.	42.55	11.02	14.04	9381	8.749	256.6	6.113
F Fr.	1.024	1.811	2.929	235.0	10.	2.589	3.301	2205	2.056	60.32	1.437
S Fr.	0.396	0.699	1.131	90.78	3.863	1	1.275	851.7	0.794	23.30	0.555
N Fl.	0.310	0.549	0.887	71.21	3.030	0.784	1	668.0	0.623	18.27	0.435
Lira	0.464	0.821	1.328	106.6	4.536	1.174	1.497	1000.	0.933	27.36	0.652
C$	0.498	0.880	1.424	114.3	4.863	1.259	1.605	1072	1	29.33	0.699
B Fr.	1.698	3.002	4.856	389.6	16.58	4.292	5.472	3655	3.409	100.	2.382
Ecu	0.713	1.260	2.038	163.6	6.960	1.802	2.297	1535	1.431	41.98	1

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES AND OPTIONS

LIFFE LONG GILT FUTURES OPTIONS £50,000 64ths of 100% [illegible]

LIFFE US TREASURY BOND FUTURES OPTIONS $100,000 points of 100% [illegible]

LIFFE BUND FUTURES OPTIONS DM250,000 points of 100% [illegible]

LIFFE EUROMARK OPTIONS [illegible]

LIFFE ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS [illegible]

LIFFE SHORT STERLING OPTIONS £500,000 points of 100% [illegible]

LONDON (LIFFE) [illegible]

CHICAGO November 27 [illegible]

PARIS [illegible]

ECU BOND (MATIF)

December	105.20	105.32	+0.12	105.32	105.10	9.18	4,205
March	105.26	105.40	+0.08	105.26	105.26	9.16	820

Estimated volume 2,049 Total Open Interest 5,025

OPTION ON LONG-TERM FRENCH BOND (MATIF)

Strike	Calls December	Calls March	Calls June	Puts December	Puts March	Puts June
105	0.80	1.50	-	0.01	0.63	-
106	0.01	0.96	1.99	0.20	1.04	-
107	-	0.53	-	1.20	1.62	-
108	-	0.30	0.74	-	-	-
Open Int	86,475	108,401	7,651	74,794	64,389	10,476

Estimated volume 52,772 Total Open Interest 352,186

POUND - DOLLAR

FT FOREIGN EXCHANGE RATES

Spot	1-mth.	3-mth	6-mth.	12-mth.
1.7680	1.7599	1.7436	1.7200	1.6780

BASE LENDING RATES

	%		%		%
Adam & Company	10.5	Credit Lyonnais	10.5	McDonnell Douglas Bnk.	10.5
Allied Trust Bank	10.5	Cyprus Popular Bk	10.5	Midland Bank	10.5
AIB Bank	10.5	Dunbar Bank PLC	10.5	Mount Banking	10.5
● Henry Ansbacher	10.5	Duncan Lawrie	10.5	NatWestminster	10.5
B & C Merchant Bank	10.5	Equatorial Bank plc	10.5	Northern Bank Ltd	10.5
Bank of Baroda	10.5	Exeter Bank Limited	11	Nykredit Mortgage Bank	11
Banco Bilbao Vizcaya	10.5	Financial & Gen. Bank	11	Provincial Bank PLC	14
Bank of Cyprus	10.5	First National Bank Plc.	14	Roxburghe Bank Ltd.	11.5
Bank of Ireland	10.5	● Robert Fleming & Co.	10.5	Royal Bk of Scotland	10.5
Bank of India	10.5	Robert Fraser & Ptnrs.	11	● Smith & Williamson Secs.	10.5
Bank of Scotland	10.5	Girobank	10.5	Standard Chartered	10.5
Banque Belge Ltd	10.5	● Guinness Mahon	10.5	TSB	10.5
Barclays Bank	10.5	● Hambros Bank	10.5	Ouibank plc	10.5
Benchmark Bank	11	Hampshire Trust Plc	13.5	● United Bk of Kuwait	10.5
Brit Bk of Mid East	10.5	Heritable & Gen Inv Bnk.	10.5	Unity Trust Bank Plc	10.5
● Brown Shipley	10.5	● Hill Samuel	10.5	Western Trust	10.5
CL Bank Nederland	10.5	C. Hoare & Co.	10.5	Westpac Bank Corp.	10.5
Citibank NA	10.5	Hongkong & Shanghai	10.5	Whiteaway Laidlaw	10.5
City Merchants Bank	10.5	Julian Hodge Bank	10.5	Yorkshire Bank	10.5
Clydesdale Bank	10.5	● Leopold Joseph & Sons	10.5		
Co-operative Bank	10.5	Lloyds Bank	10.5		
Coutts & Co.	10.5	Meghraj Bank Ltd	10.5		

● Members of British Merchant Banking & Securities Houses Association.

MONEY MARKETS

Steady UK rates

THE UK money markets were little changed yesterday, reflecting the closure of the US for a public holiday and the stability of sterling.

Three months money was 1/16 firmer at 10 11/16-⅝ per cent, while six months was unchanged at 10⅝-9/16 per cent and 12 months was steady at 10⅝-½ per cent.

Sterling made a slightly firmer showing after Mr Norman Lamont, the chancellor of the exchequer, said his main priority was to preserve the strength of the pound within the exchange rate mechanism.

UK clearing bank base lending rate 10.5 per cent from September 4, 1991

The pound moved to DM2.8600 from DM2.8575, compared with DM2.84 earlier in the week. Its trade weighted index was unaltered at 90.4.

The reaction in the futures market to sterling's firmer tone was also modest, with the March short sterling contract up a point at 89.76.

The current levels of cash and futures market rates indicate that dealers expect no immediate change in interest rates. Indeed, in the slightly more volatile futures market, a ½ point cut in base rates to 10 per cent is not expected until December next year.

At the very short end of the UK money market, rates were firm as liquidity remained tight. The Bank of England forecast a large shortage of £1.6bn, more than expected.

Treasury bills and maturing assistance was the largest contributor to the shortage, draining £974m.

The rest was accounted for by £272m of bills for repurchase by the market; a £135m rise in the note circulation; bankers' balances £185m below target; and Exchequer transactions of £35m.

Through the day the Bank of England bought £1.385bn of bills and later revised the forecast shortage to £1.45bn, leaving the market still in need of liquidity.

Liquidity is likely to remain in short supply today due to end of the month factors. A shortage of around £1.5bn is expected by money dealers.

In Germany, call money was steady at 9.10-9.20 per cent, just below the Bundesbank's 9.25 per cent Lombard emergency funding rate.

Banks' holdings at the Bundesbank averaged DM72.6bn in the first 26 days of the month, slightly higher than the expected requirement in November of DM72bn.

Holdings were DM65.9bn on Tuesday, up from DM63.6bn on Monday. Banks' Lombard borrowing jumped to DM1.6bn on Wednesday from DM600m on Tuesday.

FT LONDON INTERBANK FIXING

(11.00 a.m. Nov 28) 3 months US dollars		6 months US Dollars	
bid 4 11/16	offer 4 13/16	bid 4 11/16	offer 4 13/16

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK — Treasury Bills and Bonds

4pm Nov.27

Prime rate	7½	One month	4.34	Three year	5.79
Broker loan rate	7	Two month	4.35	Four year	5.88
Fed funds	4	Three month	4.49	Five year	6.53
Fed funds at intervention	-	Six month	4.60	Seven year	7.00
		One year	4.72	10-year	7.41
		Two year	5.43	30-year	7.97

Nov.28	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	9.05-9.25	9.20-9.40	9.20-9.40	9.20-9.40	9.20-9.40	9.25
Paris	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	9.25
Zurich	[illegible]	[illegible]	-	[illegible]	-	-
Amsterdam	9.05-9.18	9.25-9.31	-	9.36-9.46	-	-
Tokyo	[illegible]	[illegible]	-	[illegible]	-	-
Milan	[illegible]	[illegible]	-	[illegible]	-	-
Brussels	9.19-9.31	[illegible]	-	[illegible]	-	-
Dublin	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-

LONDON MONEY RATES

Nov 28	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	11	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Interbank Bid	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sterling CDs	-	-	[illegible]	[illegible]	[illegible]	[illegible]
Local Authority Deps	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Local Authority Bonds	-	-	-	-	-	-
Discount Mkt Deps	[illegible]	[illegible]	-	-	-	-
Company Deposits	-	-	[illegible]	[illegible]	[illegible]	[illegible]
Finance House Deposits	-	-	[illegible]	[illegible]	[illegible]	[illegible]
Treasury Bills (Buy)	-	-	[illegible]	[illegible]	[illegible]	-
Bank Bills (Buy)	-	-	[illegible]	[illegible]	10	-
Fine Trade Bills (Buy)	-	-	-	-	-	-
Dollar CDs	-	-	5.17	4.90	4.85	4.97
SDR Linked Dep Offer	-	-	[illegible]	[illegible]	[illegible]	[illegible]
SDR Linked Dep Bid	-	-	[illegible]	[illegible]	[illegible]	[illegible]
ECU Linked Dep Offer	-	-	[illegible]	[illegible]	[illegible]	[illegible]
ECU Linked Dep Bid	-	-	[illegible]	[illegible]	[illegible]	[illegible]

Treasury Bills (sell): one-month 10¼ per cent; three months 10[illegible] per cent; six months 9¾ per cent; Bank Bills (sell): one-month 10¼ per cent; three months 10[illegible] per cent. Treasury Bills: Average tender rate of discount 10.1662 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day November 29, 1991. Agreed rates for period Dec 25, 1991 to January 25, 1992, Scheme I: 11.74 p.c. Schemes II & III: 11.75 p.c. Reference rate for period November 1, 1991 to November 29, 1991, Scheme IV&V: 10.513 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 10½ from November 1, 1991. Bank Deposit Rates for sums at seven days notice 4 per cent. Certificates of Tax Deposit (Series 6): Deposit £100,000 and over held under one month 7 per cent; one-three months 9½ per cent; three-six months 9 per cent; six-nine months 9 per cent; nine-twelve months 9 per cent; Under £100,000 7 per cent from Sept 5, 1991. Deposits withdrawn for cash 5 per cent.

MONEY MARKET FUNDS

Money Market Trust Funds

[illegible]

Money Market Bank Accounts

[illegible]

JOTTER PAD

CROSSWORD

No.7,711 Set by VIXEN

ACROSS

1 Give up quietly before a large number get plugged (9)
6 Putting a point to fighting men causing a great commotion (5)
9 The right-hand page in a street directory (5)
10 A hint of bad vibes (9)
11 The source of one's good spirits? (10)
12 Divine being with sound audience (4)
14 Beastly row – about time! (7)
15 Put away in case it causes anger in some woman (7)
17 The helmet that's best in a melee (7)
19 Give the right call (7)
20 Skilfully written article against carrying cash (4)
22 There's agitation for resetting it in cement (10)
25 Disrespect shown only in hostelry and church (9)
26 Note: leave water for an animal (5)
27 Tend to hurry back with directions (5)
28 Tots caper about and she looks on (9)

DOWN

1 There's little right in an outbuilding (6)
2 Provides opportunities (9)
3 Makes nice profit, being well-practised (10)
4 Work out or break down (7)
5 The hopes of French fathers (7)
6 Cutting error (4)
7 Love long – fancy! (5)
8 Guy turning over silver seen substituting less valuable metal (9)
13 Putting in order for the community (10)
14 The individual who keeps reading (9)
16 Where the footwear manufacturer goes without a break (2,3,4)
18 Occupies several social workers (7)
19 A person could come to some harm by the look of it (4-3)
21 He got beaten about sun-rise (5)
23 Tour arranged to include many a great Welsh house (5)
24 Conservative sportsman (4)

Solution to Puzzle No.7,710

ARTICLES ABSENT / CREDITOR PLATEN / ROSIN INARYCASE / BROGUE LOOKOUT / ARRESTS POTATO / LIQUORICE KNEEL / ORANGE UNCAPPED / DELVES ADMITTED

WORLD STOCK MARKETS

AUSTRIA

[illegible]

BELGIUM/LUXEMBOURG

[illegible]

DENMARK

[illegible]

FINLAND

[illegible]

FRANCE

[illegible]

GERMANY

[illegible]

NETHERLANDS

[illegible]

NORWAY

[illegible]

SPAIN

[illegible]

SWEDEN

[illegible]

SWITZERLAND

[illegible]

ITALY

[illegible]

SOUTH AFRICA

[illegible]

JAPAN

[illegible]

AUSTRALIA

[illegible]

HONG KONG

[illegible]

MALAYSIA

[illegible]

SINGAPORE

[illegible]

CANADA

TORONTO

4:00 pm prices November 28

[illegible]

MONTREAL

4:00 pm prices November 28

[illegible]

INDICES

NEW YORK

DOW JONES

[illegible]

STANDARD AND POOR'S

[illegible]

NEW YORK ACTIVE STOCKS

[illegible]

TRADING ACTIVITY

[illegible]

CANADA

TORONTO

[illegible]

TOKYO - Most Active Stocks

Thursday, 28 November 1991

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Okamoto	7.8	1,170	+30	Oji Paper	3.3	785	-24
Meiji Milk Prod	6.3	1,140	-40	Sanyo-Kokusaku	3.0	822	-21
Hitachi	5.7	884	+14	NKK	2.9	345	-6
Meiji Seika	5.3	1,050	-50	Terumo	2.9	1,080	-10
Tokyo Rakutench	5.4	1,090	+167	Japan Steel	2.7	536	-32

FINANCIAL TIMES
Friday November 29 1991

EUROPE

Special situations dominate in NY's absence

BOURSES focused on special situations yesterday as trading was restrained by Wall Street's absence for the Thanksgiving holiday, *writes Our Markets Staff.*

MILAN continued to rise in good volume as the insurance sector passed the baton to the Agnelli group. The Comit index rose 3.62 to 520.77 in turnover estimated at near Wednesday's L111.2bn, with the screens generating L18.4bn of the total after L17bn on Wednesday.

Expectations, confirmed late in the day, that the Agnelli family would emerge as the bidder for Exor, the parent of the French mineral water group, Perrier, lifted the family holding company Ifi by L555 or 4.5 per cent to L13,005, although Ifil, which holds the family's food interests, rose by only L35 to L4,800.

Stop-loss orders boosted Fiat ordinary shares by 4.1 per cent or L197 to L5,027, while the continuously traded Fiat preferred shares rose 4.3 per cent or L140 to L3,430 in heavy trading of 2.34m shares.

The insurance sector eased back after its gains earlier in the week, with Generali falling L295 to L27,900 and RAS slipping L300 to L18,900. Banks came back into favour, with Banca Commerciale Italiana rising L109 to L3,960 with more than 1m shares traded on the screen.

Pirelli dropped 4.9 per cent or L90 to L1,740 on rumours that its co-operation talks with Continental had stalled and that the group would have to *increase its capital to finance* the takeover. No comment was available from the company.

FRANKFURT kept its equilibrium, the DAX index closing *2.00 higher at 1,588.16* after a 2.29 fall to 650.82 in the FAZ at midsession. However, steels and retailers extended their downtrend in volume believed to have fallen from Wednesday's DM4.4bn.

Interest in utilities moved from RWE to Veba, which rose DM7 to DM360.80 before a press briefing today. Veba denied that it was entering the lists for Hoesch, the steels group *already being courted by* Krupp; Hoesch rose DM5.20 to DM257.

Other steels fared worse, *Klöckner-Werke* dropping DM5.30 to DM103.20 and Thyssen by DM2.20 to DM192.20. But the engineers saw strength in Deutsche Babcock, DM3 higher at DM146 after better-than-expected results for the year to September 30.

Asko led retailers lower with a DM27 fall to DM747, down DM59 over the past three days. Asko has specific problems in its stake in the troubled Swiss temporary employment group, Adia, and a large debt position, but the sector – worryingly including food retailers – has *seen downward revisions of* sales forecasts for the Christmas period.

AMSTERDAM was caught on the hop by the office furniture group, Ahrend, which said late on Wednesday that it expected a 40 per cent fall in net profit this year. The stock plunged Fl 16 or 11 per cent to Fl 126.50.

Nedlloyd rose 40 cents to Fl 54.50 on news that County had issued a bullish report on the shipping company. The broker believes that the stock will be re-rated to a cash p/e of over 6, reflecting improved *profitability as a result of significant* disposals of peripheral activities, falling interest charges and increases in transport rates. It also expects the share price to treble over the next few years.

Otherwise trading was quiet, with Wall Street closed, and the CBS Tendency index eased 0.3 to 89.1.

PARIS finished little changed in a subdued session, owing to the absence of New York in afternoon trading. The CAC 40 index recovered from a day's low of 1,749.50 to close *2.98 down at 1,754.88.* Turnover was only about FFr1.5bn after Wednesday's FFr1.68bn.

Perrier continued to advance *on speculation of a takeover* bid for Exor, its parent. After the close, Ifint of Italy bid FFr1,320 a share for Exor, which remained suspended at Tuesday's closing price of FFr1,070. Perrier gained FFr28 or 2.2 per cent to FFr1,302 in 52,725 shares.

Alcatel Alsthom, which fell FFr12 in busy trading on Wednesday, recouped FFr5 to FFr569 in volume of 361,090 shares.

MADRID rose on demand for a few stocks in thin turnover of about Pta8bn, down from Pta10bn. The general index *added 2.47 to 246.71, in spite of* a rise in the three-month Treasury bill yield.

Interim results influenced some share prices. Agroman, the construction company, rose Pta40 or 3.6 per cent to Pta1,140 after announcing a 9 per cent gain in nine-month profits. Vallehermoso, the property company, added Pta35 to Pta2,395 in volume of 100,604 shares after it reported a 55 per cent rise in pre-tax profits for the first 10 months.

STOCKHOLM rose in thin trading as investors stayed *away before the withdrawal of* the 1 per cent turnover tax on share deals on Monday.

The Affärsvärlden General index rose 3.6 to 945.9 in thin turnover of SKr201m, up from Wednesday's SKr191m.

Volvo, which held an investment seminar in Paris yesterday, saw its free B shares rise SKr3 to SKr353.

OSLO was depressed by a decline in Norsk Hydro, and unsettled by Den norske Bank's plan to take over Realkreditt, a mortgage institution. The all-share index fell 2.53 to 403.63 with Hydro down *NKr3 at NKr135, after a drop of* NKr5.5 on Wednesday, on low prices for metals and North Sea oil. DnB and Realkreditt *were suspended before trading* began.

BRUSSELS saw Maxwell Communications Corporation, the Brussels listing of the UK group, drop BFr9 to BFr24 in 3.2m shares. The Bel20 index lost 5.78 to 1,070.82.

Utilities bucked the trend, with the holding, Tractebel, rising BFr100 or 1.4 per cent to BFr7,490 and Electrabel adding BFr10 to BFr4,665.

ISTANBUL dropped 6.4 per cent in heavy profit-taking after leaping 21 per cent on Monday and Tuesday to an *eight-month high. The 75-share* index closed at 4,174.88, down 284.03. Many share prices fell by their 10 per cent limit. Volume fell to 41.8m shares from Wednesday's record 62.16m.

FT-SE Eurotrack 100 - Nov 28

Hourly changes							
Open	10 pm	11 am	Noon	1 pm	2 pm	3 pm	*Close*
1071.14	1070.60	1069.27	1069.93	1070.30	1070.47	1070.95	1070.76

Day's High 1071.17 — Day's Low 1068.95

Nov 27	Nov 26	Nov 25	Nov 22	Nov 21
1069.79	1071.48	1060.67	1066.84	1071.97

Base value 1000 (26/10/90)

WALL STREET was closed yesterday for Thanksgiving. Toronto stocks were therefore listless in meagre trading volume of 13.6m shares. The composite index eased 3.5 to 3,436.6 as declining issues outnumbered rises by 271 to 224.

Toronto-Dominion Bank lost C$¼ to C$17¾. The bank reported fourth-quarter net income of 37 cents a share, unchanged from the year ago period.

National Bank of Canada slipped C$¼ to C$11¼. The company said its fourth-quarter net was 26 cents a share, up from 7 cents a share a year earlier.

ASIA PACIFIC

Nikkei follows futures prices lower

Tokyo

SHARE PRICES lost more ground yesterday as the futures market declined on fears of arbitrage-related selling, *writes Emiko Terazono in Tokyo.*

The Nikkei average finished 192.86 down at 22,780.42, having *opened at the day's high of* 22,935.65. It fell to a low of 22,634.91 in the afternoon.

Volume remained thin and a total of 220m shares changed hands. Declines overwhelmed advances by 755 to 191, with 140 issues unchanged. All 36 sectors on the first section declined. The Topix index of all first section stocks fell 16.39 to 1,734.18, but in London the ISE/Nikkei 50 index improved 3.35 to 1,296.85.

Market activity was dominated by the movement in futures prices. Options-related trading *also influenced share* prices yesterday as option contracts were exercised.

Fears about the deteriorating *supply and demand situation* also affected sentiment, as new listings on the second section fetched initial quotations sharply below their public offering prices.

Yesterday the Ministry of Transport said it had decided to postpone the listing of three Japan Railways companies until the next fiscal year, starting in April 1992, because of the unfavourable climate on *the stock market.*

Equities failed to respond to a bond market rally, which was triggered by hopes of another rate cut. Rumours that the government was putting pressure on the Bank of Japan for a further reduction in the official discount rate prompted buy orders in the government bond market. Stock market investors remained pessimistic, however, and chose to focus on negative factors.

Blue chip high-technology stocks, which had recently fallen to lows for the year, rallied on bargain hunting by foreigners. The strength of the dollar against the yen also helped the export-oriented issues. Hitachi moved ahead Y14 to Y894, *while Matsushita* Electric Industrial added Y20 at Y1,380 and Sony put on Y20 to Y4,370.

Aids-related shares were traded actively by dealers seeking short-term profits. The recent death of the British rock singer Freddie Mercury from Aids has renewed interest in the sector.

Okamoto, the leading prophylactic manufacturer, was the day's most active issue and appreciated Y30 to Y1,170, but Meiji Milk Products, which announced the development of an *Aids drug last month, relinquished* Y40 to Y1,140 on profit-taking.

Speculative buying also supported *Tokyo Rakutenchi,* an entertainment company, which posted the largest gain of the day, finishing Y167 stronger at Y1,090.

In Osaka, the OSE average weakened 313.53 to 24,578.30 in volume of 36.2m shares. Activity centred on cross-trading, involving selling and buying back holdings in order to realise profits. Tokyo Gas was the busiest stock although it remained unchanged at Y576. In second position on the actives list was Osaka Gas, which fell Y24 to Y568.

SEOUL BROKE its losing streak of the past two weeks yesterday, on a powerful surge in securities and construction issues. The composite index *rallied 11.70 to 660.73* as turnover improved to Won203.5bn from Won130.6bn.

Securities shares led the day's advance, rising 4.7 per cent on rumours that the government planned to raise commis*sions for share trading. Construction issues jumped 3.2 per* cent as investors picked up bargains in the sector, which is near its low for the year.

Meanwhile, Mr Richard Watkins, chief executive of Schroder Securities, predicted that between $2bn and $4bn could move into the South Korean stock market when it opens to direct foreign investment next year.

Speaking at a seminar in Seoul, Mr Watkins warned that government involvement in the stock market would continue to influence equities negatively, and that South Korea would have to compete with other emerging markets in south-east Asia and in Latin America for investment from overseas.

Roundup

THE pre-Thanksgiving Day slide on Wall Street, followed by *another decline in Tokyo,* affected most markets in the region yesterday.

HONG KONG closed above its lows, but the Hang Seng index still registered its fourth straight decline at 4,145.61, down 33.69. Turnover dropped from HK$1.39bn to HK$1.03bn, its lowest in four weeks.

Washington's threats of trade sanctions against China put more pressure on sentiment. *Banks saw profit-taking* after strong gains earlier this month, HSBC losing 50 cents to HK$34.25 and subsidiary *Hang Seng Bank shedding 75* cents to HK$35.35.

In AUSTRALIA, recent company results and a more bearish outlook on domestic recovery prospects, combined with international influences, left the All Ordinaries index off 13.8 at 1,604.7. Turnover amounted to A$225m (A$173m).

News Corp dropped 38 cents to A$14.50 after weakness on Wall Street overnight. At home, a forecast that the unemployment rate would remain above 10 per cent for two or three years, from Mr Bob Gregory, an economist and board member of the Reserve Bank, unnerved some participants. The Australian Trea*surer, Mr John Kerin, said this* view was "too pessimistic".

NEW ZEALAND retreated 1.5 per cent as profit-taking reversed the market's recent relative strength. The NZSE-40 index ended 22.60 down at 1,494.95. Turnover dipped from NZ$16.8m to NZ$15.6m.

Carter Holt Harvey was the main target for profit-taking, following its 13 per cent surge since last Friday, when International Paper, of the US, bought a 16 per cent stake for NZ$2.15 a share. It slipped 4 cents to NZ$2.28 in volume of 1.2m shares.

SINGAPORE surrendered Wednesday's gain. The Straits Times Industrial index *recorded a decline of 7.16 at* 1,449.23 in lower volume. Malaysian shares were shunned in Singapore because of balance of payments problems. In KUALA LUMPUR, the KLSE composite index receded 3.86 to 532.32 in thin trading.

A number of markets finished almost unchanged. TAIWAN saw turnover fall from T$24.9bn to T$18.7bn as the weighted index eased 17.42 to 4,453.58. *Selling pressure in* MANILA was moderated by bargain hunting and the composite index lost only 2.95 to *1,092.04. BANGKOK's SET* index ended 0.74 off at 667.86 in turnover of Bt3.01bn.

BOMBAY fell in quiet trading on the last day of the two-week account. The BSE index lost 25.16 or 1.3 per cent to 1,856.34. Fears of lower results than expected pushed Century down Rs250 to Rs6,550.

SOUTH AFRICA

SHARES WERE mixed to lower in thin trading in Johannesburg yesterday, as the bullion price slipped to about $366 an ounce.

The overall share index added 3 to 3,531, even though the industrial index fell 14 to 4,208 and the all-gold index eased 6 to 1,236.

Among rising shares, Anglo *American, the leading mining* financial, gained R1.25 to R126.75 and Gold Fields of South Africa jumped R1.50 to R78.50. *In the gold sector,* Western Deep firmed 25 cents to R126.75, but Dries fell 25 cents to R40 and Kloof lost 60 cents to R34.15.

Spanish companies face some unpalatable facts

Peter Bruce and Tom Burns on the recent weakness

ARJO WIGGINS Appleton, the Franco-British paper group, could be forgiven for thinking that its Pta2,700 a share bid (worth £33m) last month for Kanguros, a leading Spanish stationery maker and paper distributor, was nicely positioned. The bid price placed a 13 per cent premium on the shares. Kanguros, unfortunately, had other ideas, valuing itself at 33 per cent more at least. Yesterday its shares, which have risen to Pta2,700 since the bid, were suspended pending talks.

If similar circumstances occur in the next few months, the tussle over price could be repeated, as quoted Spanish companies struggle to come to terms with the fact that their *local stock markets are among* the weakest in the industrialised world, and that the economy shows little sign of picking up in the short term.

Since September 23, the Madrid general index has fallen about 12 per cent, compared with a decline in the FT-Actuaries Europe Index of 5 per cent over the same period.

"The overall impression is that the country's four or five years of boom are over and that we are slowing down," comments Mr Alvaro Villacieros of Iberagentes, the Mad*rid-based broker.* "Foreigners are not buying in Spain now. It is no longer fashionable and domestic investors are out of the market too."

The Spanish Banking Association warned earlier this week that bank operating profits, relative to average total assets, fell 11.8 per cent in the first half of this year and that the profits and margins would continue to narrow next year.

The banking sector has raised provisions for doubtful debts, which doubled in volume during the first six months of this year, by Pta67bn ($657m) to Pta139bn. The existing data indicate that domestic business has entered *its toughest period since the* beginning of the 1980s.

Meanwhile, the Bank of Spain's recently issued annual report on corporate results, based on a survey of nearly 5,000 companies, revealed that company profits had fallen by 27.7 per cent during 1990.

This was the first fall since 1982, when the present Socialist government came to power, and the bank warned that the *trend would continue this year* as symptoms of recovery were "few and weak". The Spanish market's other motor, the big construction companies, are also slipping into the doldrums, with the industry predicting negative growth next year as big projects tail off.

"We are off the high and definitely on a downturn," says Ms Monica Morales of Ibercorp, the brokers. At the heart of the despondency is a widespread belief among employers that, in addition to the high interest rates, business is being squeezed by union wage demands. According to the Bank of Spain's survey, salaries grew overall by 11 per cent in 1990.

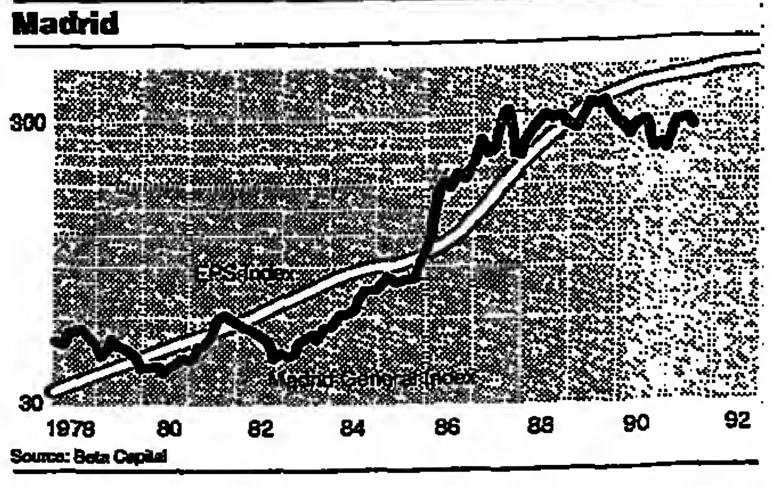
Expressing a new business militancy, Mr Jose Maria Cuevas, chairman of the Employers' Confederation, blamed the government for failing to curtail union power in a hard-hitting speech this week. Mr Cuevas said that the deteriorating corporate *results were* forcing business into "laying off workers and preparing itself for industrial unrest".

That is not the sort of message that the markets want to hear, and not even low average price/earnings ratios are attracting much attention. Domestic investors have been siphoned off into unit trusts, which are being ferociously marketed by the banks as they continue their seemingly endless battle for retail business.

Those foreigners still coming to Spain are buying treasury bills or government bonds. Even this business is at risk, though, as fears of renewed inflation threaten to drive interest rates up and prices down in the new year.

"We are predicting 2 per cent GDP growth for next year," says Mr Villacieros at Iberagentes. Predictions like this are spreading and leave the government's jaunty 3.2 per cent target looking increasingly lonely. As reality sinks in, even rejected bids like Arjo Wiggins Appleton's might begin to look good.

Madrid



Source: Beta Capital

A MORE optimistic view of the Madrid stock market's prospects for next year was presented by Beta Capital, the *Madrid-based brokers, at a seminar for international investors* in London yesterday, writes Jacqueline Moore.

Mr Santiago Fernández, chief economist at Beta, argued that Spanish shares were currently undervalued. The market, he said, roughly followed earnings growth (see chart), and the index was far below the earnings per share line.

According to Beta's estimates, it would take a sharp decline in earnings next year to bring the two lines into conjunction – an unlikely scenario, believes Mr Fernández. Therefore, Beta expected share prices to rise, suggesting a "fair value" price/earnings ratio for the market of about 14, compared with the present 9.7.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	THURSDAY NOVEMBER 28 1991								WEDNESDAY NOVEMBER 27 1991					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1991 High	1991 Low	Year ago (approx)
Australia (69)	150.92	−1.2	126.48	123.80	126.80	127.86	−0.9	4.56	152.71	128.13	125.73	128.38	129.04	160.31	112.74	123.62
Austria (20)	167.92	−0.4	140.81	137.63	141.17	141.10	−0.3	2.03	168.55	141.42	138.78	141.70	141.48	222.37	153.86	195.72
Belgium (47)	131.58	−0.6	110.67	108.32	110.95	108.54	−0.5	5.46	133.04	111.62	109.52	111.84	109.09	151.20	118.04	134.93
Canada (115)	136.57	−0.1	114.52	112.09	114.80	112.24	−0.2	3.32	136.64	114.65	112.49	114.86	112.45	144.28	126.49	125.15
Denmark (37)	254.17	−0.0	213.14	208.63	213.68	216.84	−0.2	1.65	254.28	213.35	209.36	213.77	217.27	270.56	217.74	243.01
Finland (15)	78.21	+1.0	65.59	64.20	65.75	71.67	+1.0	3.40	77.43	64.97	63.75	65.09	70.99	125.15	77.43	105.45
France (103)	140.00	−0.2	117.40	114.90	117.68	121.27	−0.1	3.66	140.21	117.64	115.43	117.86	121.40	152.28	119.11	137.72
Germany (55)	111.47	−0.4	93.45	91.51	93.71	93.71	−0.4	2.46	111.88	93.87	92.12	94.05	94.05	125.35	94.15	114.79
Hong Kong (55)	170.73	−1.0	143.15	140.11	143.51	169.97	−1.0	4.37	172.44	144.68	141.97	144.97	171.66	176.14	119.62	121.36
Ireland (13)	155.26	−1.4	130.21	127.45	130.54	132.60	−1.3	3.78	157.48	132.12	129.64	132.37	134.30	182.46	132.88	151.10
Italy (77)	72.80	+0.6	61.05	59.75	61.20	66.20	+0.5	3.50	72.37	60.72	59.58	60.84	65.86	88.23	64.76	75.73
Japan (474)	132.00	−0.6	110.69	108.34	110.99	108.34	−0.9	0.79	132.84	111.46	109.37	111.69	109.37	146.97	118.23	120.94
Malaysia (68)	203.79	−0.7	170.89	157.27	171.32	215.64	−0.6	2.89	205.28	172.24	169.00	172.57	217.02	247.78	189.18	188.81
Mexico (17)	1321.52	+0.6	1108.18	1084.71	1110.97	4406.32	+0.6	1.16	1313.29	1101.91	1081.27	1104.05	4380.87	1404.63	534.45	579.07
Netherland (31)	143.23	−0.2	120.23	117.68	120.54	119.30	−0.1	4.52	143.64	120.52	118.27	120.76	119.45	148.25	125.70	133.79
New Zealand (14)	48.35	−1.4	40.55	39.70	40.66	45.66	−0.9	6.09	49.04	41.15	40.38	41.23	46.10	54.64	41.18	48.63
Norway (30)	169.21	−0.8	141.90	138.89	142.25	145.67	−1.0	1.77	170.66	143.19	140.51	143.47	147.15	223.24	169.21	223.64
Singapore (33)	207.20	+0.0	173.75	170.07	174.18	158.64	−0.4	2.20	207.19	173.84	170.58	174.17	159.21	213.93	151.63	153.56
South Africa (61)	268.72	−0.2	225.34	220.56	225.90	178.54	+0.1	2.75	269.35	226.00	221.76	226.43	178.41	271.99	173.00	174.21
Spain (53)	148.29	+1.7	124.27	121.65	124.59	114.63	+0.9	4.81	145.78	122.31	120.03	122.55	113.64	171.12	131.51	144.25
Sweden (25)	170.23	+1.2	142.80	139.78	143.16	148.99	+1.0	2.99	168.33	141.24	138.59	141.51	147.48	204.12	146.60	155.52
Switzerland (59)	94.40	−0.5	79.16	77.49	79.37	83.66	−0.4	2.42	94.89	79.62	78.13	79.78	83.98	100.67	82.17	87.46
United Kingdom (233)	172.02	−0.7	144.25	141.18	144.60	144.25	−0.8	5.17	173.24	145.36	142.62	145.62	145.35	187.44	156.27	166.91
USA (525)	153.25	+0.0	128.51	125.79	128.84	153.25	+0.0	3.17	153.25	128.58	126.18	128.84	153.25	161.59	125.95	127.77
Europe (825)	138.36	−0.3	116.02	113.56	116.32	116.77	−0.4	4.13	138.80	116.46	114.28	116.69	117.19	151.52	125.50	136.21
Nordic (107)	174.16	+0.4	146.04	142.95	146.41	145.04	+0.2	2.23	173.54	145.60	142.88	145.89	144.73	200.81	155.55	171.54
Pacific Basin (715)	133.38	−0.7	111.85	109.48	112.13	110.47	−0.9	1.13	134.28	112.67	110.58	112.89	111.51	145.92	117.86	120.78
Euro – Pacific (1540)	135.62	−0.5	113.79	111.37	114.06	113.75	−0.7	2.35	136.41	114.46	112.31	114.67	114.56	147.66	121.29	127.39
North America (641)	152.14	+0.0	127.58	124.89	127.92	150.48	+0.0	3.18	152.14	127.66	125.28	127.93	150.50	160.44	125.91	127.52
Europe Ex. UK (586)	118.04	−0.0	98.99	96.91	99.26	100.88	−0.1	3.27	118.09	99.08	97.25	99.30	100.96	129.80	103.58	117.40
Pacific Ex. Japan (244)	148.98	−1.0	123.26	120.66	123.58	130.20	−0.9	4.17	148.47	124.57	122.26	124.83	131.33	153.19	111.40	117.89
World Ex. US (1730)	137.89	−0.5	115.63	113.19	115.92	115.46	−0.7	2.38	138.58	116.27	114.10	116.50	116.22	148.16	122.32	128.04
World Ex. UK (2029)	139.17	−0.3	116.70	114.24	117.01	125.56	−0.4	2.38	139.55	117.09	114.91	117.33	126.04	146.16	120.06	123.03
World Ex. So. Af. (2201)	141.18	−0.3	118.39	115.89	118.70	126.66	−0.4	2.67	141.63	118.84	116.62	119.08	127.43	148.66	122.92	126.64
World Ex. Japan (1788)	148.71	−0.2	124.70	122.07	125.03	137.80	−0.2	3.55	148.96	124.98	122.66	125.25	138.04	155.59	126.69	131.29
The World Index (2262)	142.04	−0.3	119.11	116.59	119.42	127.35	−0.4	2.67	142.49	119.56	117.32	119.80	127.89	149.37	123.28	135.93

USA market closed November 28